5. RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all the information contained in this Prospectus, including the risks described below, before deciding to invest in our Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 There is a high level of competition in the direct selling industry and we may fail to maintain or grow our network of active Members

A significant portion of our business is conducted primarily via the direct selling channel. Sales are made to the ultimate consumer principally through direct selling by our Members. Our ability to remain competitive and our ability to expand our business depends, in significant part, on our success in recruiting, retaining, and incentivising active Members. We are subject to significant competition for Members. Several factors, some of which we have no control, affect our ability to attract and retain Members, including:

- on-going motivation of our Members;
- general economic conditions;
- public perception and acceptance of the industry, our business and our products;
- market demand for our proprietary products; and
- competition in recruiting and retaining our Members.

We aim to attract and retain our Members through an appropriate compensation plan and incentives, which we apply consistently among our Members worldwide, as set out and published in our global marketing plan online. Nevertheless, there can be no assurance that the amount of commissions that we pay or the types of financial, travel, training and other incentives that we provide will continue to be attractive to our Members and sufficient in retaining them. The payment of commissions and incentives, including bonuses, is one of our key expenses.

Further, there are a number of direct selling companies that sell product lines which compete with ours, some of which have worldwide operations and compete with us globally. If we are unable to compete or lose market share in the direct selling channel, our business, prospects, financial condition and results of operations may be materially and adversely affected. Furthermore, if any government or regulatory body bans or severely restricts our business methods or operational/commercial model of direct selling, our business, prospects, financial condition and results of operations may be materially and adversely affected. See Section 5.1.18 of this Prospectus for further details.

5.1.2 We have limited control over our Members

We rely on a global distribution network of 12.7 million registered Members, of which 2.8 million are active Members, in addition to 77 sales branches and 14 external distribution agencies as at the LPD. As we have the significant number of Members in our global network, it is not feasible for us to monitor all of the Members' day-to-day conduct and business activities. In addition, as the Members who market and sell our products are independent contractors and not our employees, we have limited control over their business activities. As a result, there can be no assurance that our Members will comply with all applicable rules and regulations or our policies and procedures. For example, we cannot guarantee that our products will not be altered or tampered with by such Members prior to receipt by our end consumers. We have also encountered issues in the past where Members have overclaimed the efficacy of a product, sold products at a price that is lower than our pricing list, conducted internet sales that are not approved by us or have overstated their income or potential income. While we have sought to address these issues, implemented strict rules and regulations and conducted regular training for our Members, there can be no assurance that these issues will not recur in the future. Violations of applicable laws or of our policies and procedures by our Members could subject us and/or our Members to claims, penalties, negative press and other repercussions, which could in turn reflect negatively on our business, operations, financial condition, prospects and reputation. It is possible that a court could hold a direct selling company like us civilly or criminally accountable based on vicarious liability because of the actions of its Members.

Due to the scale of our global network, we have in the past had Members with registered addresses in Sanctioned Jurisdictions such as Cuba, Iran, North Korea, and Syria. Members from such jurisdictions may have purchased our products from our distributors in non-Sanctioned Jurisdictions. We do not believe that such indirect sales to Members with registered addresses in Sanctioned Jurisdictions have exposed us to a material risk of liability under the United States law. We have implemented a sanctions policy to prevent member registration by any person located in Sanctioned Jurisdictions and to terminate memberships of former Members with registered addresses in Sanctioned Jurisdictions. Our sanctions policy also prohibits Members from on-selling our products to Sanctioned Jurisdictions or Sanctioned Persons. However, we cannot guarantee such sales never occurred. Our international business activities may expose us to certain penalties or other risks (such as reputational risks) in the event that our Members were to engage in dealings with Sanctioned Jurisdictions or Sanctioned Persons, and it is possible that such penalties or risks may arise in the future to the extent that the United States or other governments with applicable jurisdiction expand their trade and economic sanctions regimes over our international business activities in any other impactful way.

5.1.3 We rely on external distribution agencies in 23 jurisdictions and have limited control over them

We rely on 14 external distribution agencies in 23 jurisdictions including the Middle East, which is one of our top 10 markets in terms of revenue contribution for the FYE 28 February 2021. Each of these agencies purchases products from us and on-sells such products to our Members and will bear certain local operating expenses. As a percentage of our gross revenue, these external distribution agencies contributed 6.7%, 6.9%, 6.7 % and 4.4% for the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and FPE 31 December 2021, respectively. While we retain control over the supply of our products, the Member remuneration plan, our IT systems and our intellectual property rights, we rely on the external distribution agencies to run the day-to-day operations of their business, including marketing, inventory management, managing Member bonus payments, obtaining and renewing the relevant licences and permits required to operate their business as well as ensuring compliance with applicable laws and regulations in the respective jurisdictions. The external distribution agencies, including those in the Middle East, also assist us with product registrations.

We have limited control over the customers or jurisdictions which the external distribution agencies may on-sell our products to and there can be no assurance that our external distribution agencies will comply with all applicable rules and regulations in order to conduct their business. Violations of applicable laws or of our policies and procedures by our external distribution agencies could result in civil or criminal penalties and reflect negatively on our business, financial condition, prospects and reputation. We may also rely on these agencies' licences, for example their direct selling marketing licence, to distribute our products in that jurisdiction. As each agency is subject to the requirements of their local jurisdictions regarding the renewal of their respective licences, there can be no assurance that they will be able to renew such licences in a timely manner or at all. There can also be no assurance that these agencies will maintain their relationships with us. Our failure to maintain this existing relationship may have a material adverse effect on our prospects, business, results of operations and financial condition.

We do not currently have direct business dealings with any jurisdictions that are targeted by comprehensive country- or territory-wide economic and trade sanctions administered and enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") and the U.S. Department of State which as of the date hereof are the Crimea, Donetsk and Luhansk regions of Ukraine, Cuba, Iran, North Korea and Syria ("**Sanctioned Jurisdictions**") or persons publicly identified on the most current list of Specially Designated Nationals and Blocked Persons published by OFAC ("**Sanctioned Persons**") (collectively, "**U.S. Sanctions**"). We have also implemented a sanctions policy and issued a policy memo to our external distribution agencies as part of our sanctions policy directing them not to on-sell our products to distributors in Sanctioned Jurisdictions and/or to Sanctioned Persons. However, there can be no assurance that the external distribution agencies will abide by our policy. Our international business activities may expose us to certain penalties or other risks (such as reputational risks) in the event that our external distribution agencies were to engage in dealings with Sanctioned Jurisdictions or Sanctioned Persons, and it is possible that such penalties or risks may arise in the future to the extent that the United States or other governments with applicable jurisdiction expand their trade and economic sanctions regimes over our international business activities in any other impactful way. It is also possible that dealings by our external distribution agencies with Sanctioned Jurisdictions or Sanctioned Persons may present some risk that we could become targeted with secondary sanctions, which OFAC may impose on non-U.S. persons for providing material support or assistance to certain sanctions targets.

5.1.4 We may not be successful in expanding to new markets or in expanding and strengthening our footprint in existing markets

As at the LPD, our business has a distribution footprint (including our sales branches and distributors) in 50 countries. We have 77 sales branches to distribute goods to our Members and partner with 14 exclusive external distribution agencies as at the LPD. We have over 12.7 million registered and 2.8 million active Members in more than 180 countries as at the LPD. We are constantly exploring the possibility of expanding into additional markets and have plans to expand into five further markets globally, including countries in the Latin American and African regions. We also have plans to expand and strengthen our footprint in existing markets, for example by rolling out a fuller suite of our products in existing but less-mature markets and by introducing new products in line with Members' demand. In addition, we plan to increase our production capacity to meet the growing demand for our products. We currently 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. These additional facilities will include capacities for the cultivation of Ganoderma, Spirulina, Cordyceps, Noni, Roselle and other natural ingredients, and production lines for our FFB, HDS and cosmetics products. For further details on the status of our facilities in the pipeline, see Section 7.13.5 of this Prospectus.

Our ability to successfully carry out these expansion plans and to succeed in new markets or expand our footprint in existing markets will depend on several factors, for example:

- our ability to secure necessary governmental approvals or third party consents in a timely manner or at all. See Section 5.1.19 of this Prospectus for further details;
- the strength of our product portfolio and whether our existing and new products are aligned with consumer demand or well accepted by the market. See Section 5.2.3 of this Prospectus for further details;
- our ability to register new products or register existing products in new markets. See Section 5.1.7 of this Prospectus for further details;
- our ability to locate and partner with the appropriate third parties (for example, external distribution agencies, as applicable) in certain of these jurisdictions;
- our ability to manage the difficulties of managing a larger and growing business, operate in new geographical regions or optimise the allocation of resources and operational efficiency;
- our ability to train, motivate and manage an enlarged workforce and to recruit qualified personnel with the necessary technical skills and experience;
- our ability to avoid construction delays or to procure machinery and equipment in a timely manner or at all;
- our ability to acquire real estate property or negotiate lease agreements on acceptable terms; and
- availability of financial resources or of financing at acceptable terms or at all.

Any expansion plans carry the risk of diverting resources and management attention from our existing business. We may also be subject to delays resulting from changes in legislation, governmental bureaucracy or unforeseen or force majeure events, such as the COVID-19 pandemic or the Russia-Ukraine conflict, which could and has resulted in increased and unexpected costs that were not originally included in our budget. Any interruption or delays in the construction or launch of our projects, or increase in costs, could disrupt our business, decrease our anticipated revenue from our business plan, and adversely affect us.

5.1.5 We face certain risks related to the safety, perceived safety and reputation of our products and our Group

While many of the ingredients in our health-oriented supplement and food products are substances for which there is a long history of human consumption, some of these products contain innovative ingredients such as fermented Noni, fermented fruit juice, probiotic fruit juice, mycelium or combinations of ingredients for which there may be limited, or limited documented, long-term experience with human consumption. Moreover, some people may have certain sensitivities or reactions to nutrients commonly found in such foods and may have similar sensitivities or reactions to the ingredients contained in our products. If any of our products cause, or are perceived to cause, adverse side effects, we may face a number of consequences, including, but not limited to injury to, or death of, consumers; a severe decrease in the sales of the relevant products; recalls or withdrawals of the relevant products; revocation of regulatory approvals for the relevant products; stricter and more frequent regulatory inspections of our facilities and products; and the risk of lawsuits and regulatory investigations in respect of the relevant products, which could result in liabilities, fines or penalties. Product recalls are common in our industry. We have in the past had to recall certain products which failed to adhere to standards set by the National Pharmaceutical Regulatory Agency in Malaysia (the "**NPRA**"). For example, during 2015 to 2016 we recalled one batch of our cream products from Malaysia, Bahrain and Oman which did not satisfy the aerobic bacteria and fungi count required by the NPRA. In 2020, we were required to recall one batch of pearl powder products from Malaysia which did not satisfy the specifications for cadmium. In 2021, we also recalled one batch of our bee pollen granule products from Bahrain which did not satisfy certain content specifications by the NPRA. In the event that any of our products are required to be recalled or withdrawn, we have recall procedures in place. While such instances of product recalls did not have a material impact on our Group and we have not encountered any instances of consumer death proven to have resulted from our products, or revocation of regulatory approvals in the past, there can be no assurance that such instances will not occur in the future. Further, while we maintain product liability insurance as part of the insurance policies covering key aspects of our business, product recalls are not covered under our various insurance plans. See Section 7.21 of this Prospectus for further details on our insurance policies.

To ensure the safety and quality of our products, we conduct stability tests for every product 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 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 our 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 the local or exporting country laws and regulations. See Section 7.14 of this Prospectus for further details on our quality control measures. Despite such measures, there can be no assurance that that there will not be any incidents which question the safety and reputation of our products.

Adverse associations with our products, whether or not actually true, including with respect to their efficacy or side effects, may materially and adversely affect the reputation of our brands. For example, we faced bad publicity in Peru relating to the Spirulina cereal product in 2018, with certain consumers alleging to have consumed products which did not have the necessary sanitary registrations. The article has since clarified that the product did have the requisite registration. While we have not faced other occurrences which had a material impact on our business operations or financial condition, such adverse publicity may have a negative effect on our ability to attract, motivate and retain Members, and on our prospects, business and results of operations.

In addition to perceptions about the safety and quality of our products, the reputation of our Group is indirectly affected by the public's perception of direct selling companies more generally. Adverse publicity relating to direct selling companies, for example, through incidents of misconduct by parties in the direct selling industry such as false advertising or over-claiming of product efficacy, may damage our reputation even if such parties or incidents have no relation to us, our products or our counterparties, and consequently, adversely affect our prospects, business and results of operations. See Section 5.1.17 of this Prospectus for further details on the factors influencing the reputation of the direct selling industry. With regard to our own distribution network, we have limited control over the conduct of our Members and external distribution agencies. Members may purchase our products from our sales branches or external distribution agencies and sell and/or distribute them to consumers. However, they are prohibited from selling and/or distributing the products in jurisdictions outside the country of purchase, including jurisdictions in which we do not have a presence. In the event Members sell or distribute our products to such jurisdictions, such Members remain liable and have the responsibility to ensure such sales are not against the relevant local laws and regulations. We do not indemnify our Members should they be found guilty of any wrongdoing. We have not come across any incident of violation of local laws and regulations by our Members in the FYE 28 February 2019, FYE 29 February 2020, FYE 28 February 2021 and the FPE 31 December 2021. While we require our Members and external distribution agencies to adhere to the terms of our rules and regulations or distributorship agreements, a breach of which may result in a reprimand, suspension or termination of their membership and/or distributorship, we have encountered issues in the past where Members have overclaimed the efficacy of a product, sold products at a price that is lower than our pricing list, conducted internet sales that are not approved by us or have overstated their income or potential income. There can be no assurance that similar misconduct will not occur in the future, resulting in adverse publicity for our Group. See Sections 5.1.2 and 5.1.3 of this Prospectus for further details.

5.1.6 We may be subject to product liability, personal injury or wrongful death claims or product recalls in connection with our products, which may materially and adversely affect our reputation, business and prospects

We may be subject to product liability, personal injury or wrongful death claims or product recalls if the products we sell are deemed or proven to be unsafe, defective or contaminated, or if they are insufficiently or improperly labelled.

Our products are subject to product labelling requirements in the various jurisdictions in which we operate. We are required to provide mandatory precautionary statements on the labels of our PCC products. The local authorities also generally require us to display nutrition and ingredient information labels on our FFB products, and as a matter of practice, we display such information labels on our products even if not required, such as for our HDS products. For example, Peru and Mexico have regulatory requirements to prominently display nutrition logos on the front panel of product packaging if certain nutrition information such as sugar have exceeded a pre-determined threshold. We have a quality control department that is responsible for ensuring that our product packaging meets labelling requirements. However, non-compliance with such requirements may still occur due to human error or inadvertent misinterpretation of the regulatory requirements in the relevant jurisdiction. Failure to label our products properly or sufficiently in the future may lead to product recalls, product liability claims or other regulatory actions in the markets in which our products are distributed.

Any product liability claims brought against us or product recalls, regardless of whether the claims are with merit, could strain our financial resources and divert the time and attention of our management. Where any product liability claims or product recalls relate to our proprietary products, consumer confidence in our brands may decline, and our reputation and sales of our proprietary products may be materially and adversely affected. If any product liability claims against us were to prevail, we may incur substantial monetary liabilities. Further, we may be subject to regulatory fines or criminal liabilities and the licences, permits and approvals that we require for our business operations may be revoked. If any of the foregoing occurs, our business, financial condition and results of operations may be materially and adversely affected. For example, in 2015, the Thai FDA took possession of and prohibited the sale of 13 batches of our Cocozhi products due to their cadmium content. Cadmium can be found occurring naturally in cocoa beans. Our Thai subsidiary has stopped sales and importations of these prohibited products. We received regulatory fines amounting to approximately

RM40,000 from the Thai FDA. As at the LPD, we are still in discussions with the Thai authorities on how these prohibited products shall be destroyed.

Our Members or distributors may also negligently or otherwise provide inaccurate or incomplete information about our products, as a result of which consumers may use our products incorrectly. Incorrect use of our products could result in our products being less effective or cause adverse effects that could otherwise have been avoided. Our reputation and the sales of our products could consequently be adversely affected, and we could be exposed to product liability lawsuits or regulatory investigations, action or penalties and we may face additional costs and liabilities as a result. For example, a criminal complaint was filed against certain of our distributors by relatives of a consumer whose death allegedly resulted from the distributors' illegal practice of medicine in selling our products. Although the prosecutor's request to join us as a civilly liable co-defendant was rejected by the court, and the prosecutor has requested dismissal of the complaint (which is pending court approval as at the LPD), negligent or unlawful conduct on the part of our Members or distributors such as giving misleading information about our products could nevertheless adversely impact our reputation and our products and result in us being implicated in litigation or investigations, which if determined adversely against us, could result in civil, criminal or other regulatory or administrative liabilities.

5.1.7 We may not be successful in product registration or our product applications may be subject to multiple rounds of review

We are required to obtain product registration in certain jurisdictions in which we operate. For jurisdictions where there are no local product registration requirements, we will generally be required to comply with product labelling requirements for the sale of our products. Filing an application and obtaining product registration for a product is an extensive, lengthy, expensive and uncertain process, and regulatory authorities may delay, limit or deny product registration of a product for many reasons, including, but not limited to, the following:

- regulatory authorities may reject an application if deemed to be incomplete or non-compliant;

- regulatory authorities may disagree with the product category for which the product registration is filed;

- regulatory authorities may not approve of or be unfamiliar with certain specific ingredients used, in particular, ingredients that have not previously been successfully registered in that jurisdiction;

- the regulatory authorities may not approve of the formulation, manufacturing process or facilities for a product, which would require technical correction or changes to be made prior to product registration being granted;

- regulatory authorities may disagree with certain statements made on a product label;

- regulatory authorities may deem that we have failed to demonstrate that a product is safe and effective for its proposed indication; and

- regulatory authorities may abandon or delay the processing or evaluation of a local product registration as a direct or indirect effect of other competing priorities not within our control, for example natural disasters, disease outbreaks or the COVID-19 pandemic.

As we continue to grow and expand our product lines, we will submit product registration applications. As at the LPD, we have made certain applications in our core markets which are still pending registration. Excluding products which are pending renewal and products which do not require registration, we have approximately 130 SKUs that are pending product registration application as at the LPD. We have, in the past, experienced delays in product registration and have not been able to register certain products in certain jurisdictions. Such instances of delayed or unsuccessful applications make up a small percentage of the total number of product registrations being processed for all jurisdictions, and have not resulted in a material adverse impact on our business and results of operations. However, there can be no assurance that we will obtain product registration or successfully renew existing product registrations in any jurisdiction in respect of any of our products in the future.

The ease and likelihood of success of product registration varies by region. For example, certain of our natural ingredients including the Ganoderma mushroom or Noni fruit are relatively more common in Asia but are less commonly found in Latin America and the Middle East. As such, regulatory authorities in such jurisdictions may raise additional questions about the appropriate product category to be applied to our products or require additional clinical studies and tests to support our applications for product registration, and there can be no assurance that these products will fulfil these additional requirements.

The relevant regulatory authorities may also grant product registration for fewer or more limited indications or stipulate a shorter shelf life than what we had requested, require the inclusion of safety warnings or impose other conditions that may negatively impact the commercial viability of the product. For example, Peru and Mexico require certain safety or advertising warnings or nutritional information labels to be prominently displayed on some of our product packaging and comply with other applicable provisions.

In the case of product registration renewal applications, we may be subject to additional or more stringent requirements than at the initial registration, or possibly be required to reclassify our products or file them under a different category. We have previously been required to do so in compliance with new or changed local regulations. All this may have the effect of delaying a product registration renewal or even its revocation. We have in the past also had to cease the sale of certain products due to changes in local regulations prohibiting ingredients in such products, such as:

- in 2015, the Thai FDA took possession of and prohibited the sale of 13 batches of our Cocozhi products due to their cadmium content. Our Cocozhi products contains cocoa powder which has naturally occurring trace amount of cadmium. We have ceased the sale of these prohibited products in Thailand;

- in 2019, the Thai Ministry of Public Health announced a ban on cosmetics containing plastic microbeads, effective in 2020. We have ceased the sale of our aloe vera facial scrub product containing non-compliant plastic microbeads;

- between 2018 and 2022, the health authorities in Thailand, Saudi Arabia, Oman and the Gulf Cooperation Council announced various bans on products with partially hydrogenated oil. We have ceased the sale of our beverages containing non-dairy creamer with partially hydrogenated oil components in those jurisdictions; and

- the GSO 692 implemented in 2017 in Saudi Arabia prohibited sucrose or any other readily fermentable carbohydrates as an ingredient in toothpaste. Following the ban, we have ceased the sale of Ganozhi Toothpaste which contains sucrose.

If we are not granted product registration or renewal in respect of any product, we will not be able to market and sell the relevant product in the relevant jurisdiction. Further, even if we obtain product registration or renewal for a particular product in a particular jurisdiction, there can be no assurance that the relevant regulatory authority will not revoke it at any time. In the event any of the foregoing occurs, our business and prospects may be materially and adversely affected.

For further details on the internal quality controls and process with respect to our products, see Sections 5.1.5 and 7.14 of this Prospectus.

5.1.8 Our business, operations and results may be materially and adversely impacted by events relating to the COVID-19 pandemic or other disease outbreaks

We have faced and may in the future face disruptions to our business, operations, manufacturing and direct selling activities due to the COVID-19 pandemic or other disease outbreaks. The COVID-19 pandemic had disrupted the global economy and resulted in travel and transportation restrictions; prolonged closures of workplaces, businesses and schools; significant strains on national health systems; general lockdowns and social distancing measures in numerous countries; increased volatility in international capital markets; supply chain disruptions and many other related consequences.

Since the outbreak of the COVID-19 pandemic in 2020, we have had to comply with government directives aimed at controlling the pandemic in the various countries in which we operate, including lockdowns and other restrictions on the movement of people and goods, social distancing and workplace safety measures. As a result of these restrictions, we faced labour shortages, logistical disruptions in the shipment of our products and cessations in our operations which have led to loss in productivity and cost overruns. Further, movement and social distancing restrictions have impacted the ability of our Members to make sales. Such restrictions primarily had an impact on our results of operations from April to June 2020. We have continued to encounter intermittent shipment delays up to the LPD, although the situation has gradually improved since the second half of 2020 and has not had a material impact on our operations. For further details on how the COVID-19 pandemic affected our business, see Section 7.23 of this Prospectus.

While we have implemented 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 (for further details on such measures, see Section 7.23 of this Prospectus), there can be no assurance that our precautions will be sufficient or that we will not encounter COVID-19 or other disease outbreaks in the future. In such an event, we may be required to take measures such as shutting down our facilities, suspending operations, putting our workers in quarantine, conducting health tests on our employees, paying for other medical expenses for our workers and other additional responsive measures. For example, 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 tested positive for COVID-19, as required by the MOH. We may also only be permitted to reopen any such facilities after obtaining approval from the relevant authorities and satisfying all their requirements. In addition, we may incur additional expenses and financial burdens in addressing the COVID-19 pandemic or other disease outbreak, including but not limited to paying for additional support staff and other general crisis management procedures.

The current COVID-19 pandemic or other disease outbreaks in any country where our operations, suppliers, Members, stockists or external distribution agencies are based, and any regulatory measures or restrictions taken in response to an outbreak, including lockdowns or any similar restrictions, could severely disrupt the supply of raw materials, labour supply, business operations and distribution networks for our products. Government approvals for routine matters may also be delayed as resources are redirected as a result of the pandemic. We cannot predict the direct and indirect effects of the COVID-19 pandemic and governments' responses to it on our business, results of operations, financial condition and liquidity, which may include:

- the risk that we or our suppliers, Members, stockists and external distribution agencies may be prevented from conducting business activities for an indefinite period of time;

- a decline in our Members' sales and distribution activities as a result of lockdowns, social isolation requirements or other restrictions on movement; For example, our revenue decreased by 4.9% from RM1,104.6 million for the FYE 29 February 2020 to RM1,050.2 million for the FYE 28 February 2021 primarily due to movement restrictions imposed in response to COVID-19 by the local governments of our core markets in Latin America, South Asia and Southeast Asia. See Section 12.2.7 of this Prospectus for further details.

- a prolonged disruption to our operations and manufacturing activities, leading to significant loss of business and revenue, and harm to our relationship with our Members; and

- delays to our expansion and construction plans, in particular our plans to establish two new cultivation facilities in Ningxia, China and Telangana, India, and four new manufacturing facilities, in Ningxia, China; Telangana, India; Pondicherry, India and Tlaxcala, Mexico.

We may also experience an increase in transportation costs due to logistical disruptions. In addition, we may face interruptions in our supply chain; impact to our costs or access to capital and funding resources; any material COVID-19-related contingencies; and general economic and social uncertainty, including increases in interest rates, variations in foreign exchange rates, inflation and unemployment and other unforeseen impacts and consequences resulting from the COVID-19 pandemic.

Any of the above disruptions could have a material adverse effect on our business, results of operations and financial condition, which may lead us to be unable to meet the demand of our customers. Any such disruption could also materially harm our reputation and expose us to legal claims. Furthermore, the COVID-19 pandemic may also have the effect of heightening many of the other risks described in this Section of the Prospectus.

5.1.9 We rely on third party suppliers for raw materials, packaging components and certain finished products

We purchase raw materials and packaging components for our products, including natural ingredients (such as Ganoderma and Spirulina), raw materials to cultivate mushrooms (such as rubberwood sawdust and rice chaff), ingredients used in the production of our FFB and HDS (such as coffee powder, creamer and sugar), and packaging materials (such as capsules and plastic containers). We also purchase certain finished products from third party suppliers comprising, among others, food and beverages (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). There can be no assurance that our suppliers will continue to or be able to supply their products in the quantities and timeframes required by us or to comply with their supplier agreements with us. A supplier's inability to supply a raw material, packaging component or finished product for any reason, a disruption or interruption in the supply chain or the loss of our material suppliers would affect our ability to manufacture, sell and deliver our products and could significantly increase our costs and affect our business, profitability and reputation. For instance, the Russia-Ukraine conflict could adversely impact our raw materials, energy and transportation costs, as well as certain of our suppliers, global and local macroeconomic conditions, causing further supply chain disruptions. In addition, we are dependent on suppliers for natural ingredients such as Ganoderma and Spirulina, which are susceptible to certain risks related to their cultivation. See Section 5.1.12 of this Prospectus for further details.

In FYE 28 February 2021, approximately 28% or 47 tonnes of Spirulina powder was sourced from third party suppliers. We may incur additional cost, time and resources to seek alternative supplies on terms that are commercially acceptable to us. In a worst-case scenario, it may be difficult to obtain the raw materials and packaging components that we need at commercially acceptable terms, due to factors over which we have no control, such as climate, agricultural production, economic conditions, geopolitical tensions and transportation and processing costs, among others. Each of these may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in manufacturing and distribution.
In addition, we have limited or no control over the operations of such third party suppliers. There can be no assurance that our suppliers will not have issues regarding working conditions, sustainability, outsourcing of the production chain and improper safety conditions, or that they will not use these irregular practices in order to lower product costs. If our suppliers engage in these practices, our reputation may be harmed and, consequently, our customers' perception of our products may be affected, thereby causing a reduction in our results of operations.

5.1.10 We use third party manufacturers to manufacture and are subject to risks inherent in such activities carried out by our third party manufacturers

While 90.6% of our products are manufactured in-house in the FYE 28 February 2021 (based on gross revenue), we use third party manufacturers to manufacture certain of our products, such as home appliances and water filtration systems. Our third party manufacturers face many of the same operational risks that we do. See Section 5.1.11 of this Prospectus for further details. In addition, there can be no assurance that all our third party manufacturers will fulfil their obligations under the agreements into which we enter with them. If any of our third party manufacturers encounters any situation affecting their output, or if any of our third party manufacturers fails to meet their contracted obligations, this could affect our ability to deliver our products to market. Further, we do not have complete control over our third party manufacturers and therefore cannot guarantee that our third party manufacturers are in compliance with all applicable laws or regulations, creating reputational or liability risks to us.

5.1.11 We face certain risks inherent to the research, cultivation and manufacturing process

We operate two R&D facilities, five cultivation facilities and nine manufacturing facilities, where we develop, cultivate and manufacture a significant portion of natural ingredients and products. The natural ingredients we cultivate include, but are not limited to, Ganoderma, Spirulina, Cordyceps, Roselle, Lion's Mane Mushroom, Tiger Milk Mushroom, pineapples, aloe vera and Noni.

The output from our cultivation facilities mainly comprises RG, GL and Spirulina. In the FYE 28 February 2021, our Group had sourced approximately 57 tonnes of RG powder and 73 tonnes of GL powder entirely from our cultivation facilities, as well as approximately 120 tonnes and 47 tonnes of Spirulina powder from our cultivation facilities and third party suppliers respectively. Similarly, during the same financial year, our Group had used approximately 35 tonnes of RG powder, 69 tonnes of GL powder and 156 tonnes of Spirulina powder in the production.

In respect of manufacturing output, 90.6% of our direct selling products sold (based on gross revenue contribution) were manufactured in-house during the FYE 28 February 2021.

We are exposed to certain risks inherent to our research, cultivation and manufacturing activities, including industrial accidents, fires, burglary, malicious damage, labour strikes and other labour or industrial disputes, interruptions to logistics, disruptions to our water supply, power supply, information and/or other systems, problems or breakdowns of key facilities, machinery or equipment, licensing requirements and other regulatory or government issues, environmental actions, as well as natural disasters, extreme weather conditions, disease outbreaks or pandemics, acts of terrorism and other external factors over which we have no control, and which may not be fully covered by insurance. We also use flammable materials, such as plastic packaging, in manufacturing our products, or alcohol for sanitising purposes, in line with our safety protocols. These materials may be stored in bulk in our facilities and premises. Any accidents may expose us to risks related to the total or partial loss of our facilities, depending on the severity of such accidents. Any such disruption or emergency situation may disrupt our research, production and manufacturing processes, affect our production facilities and adversely affect our production schedules. While we have not experienced any other material adverse disruptions in our research, production and manufacturing processes during the financial years and period under review, 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 amounting to RM11.5 million which was approximately three months stock as well as an increase in our expenses of RM6.2 million due to production outsourcing. 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. While such inventory loss led to the temporary disruption of supply for certain products, we did not face material delays in shipments of products to our customers or consequently a material impact on our revenue or profit margins. We have relied on short-term arrangements on a purchase order basis with third party and related-party manufacturers to make up for the lost inventory and outsourced our production activities until the reconstruction of the manufacturing facility was completed in February 2022. Our ability to accurately forecast our supply needs is affected by factors beyond our control, and if we fail to manage our inventory effectively, including ensuring that any specific storage conditions that are required, we may face risks such as shortage of supply of our products. To the extent that the losses we suffer are uninsured or uninsurable, our financial condition and results of operations could be materially and adversely affected. See Section 5.1.16 of this Prospectus for further details.

While we have implemented various precautionary measures at our facilities, including installing firefighting equipment such as fire extinguishers and hose reels, fire safety systems, backup water supply, back-up generators, temperature and humidity monitoring systems and closed-circuit television surveillance systems, we cannot guarantee that such measures will be effective in minimising or eliminating such operational disruptions and potential loss and damages.

In addition, in the event of any machinery and equipment breakdown, our production facilities may be interrupted, causing production downtime and delay in the delivery of products to our customers. We may also incur additional cost to repair or replace the affected machinery, equipment and inventory, and may not be able to address such problems or obtain timely replacements. These in turn may materially and adversely affect our research, manufacturing or cultivation facilities as well as our results of operations and financial condition.

5.1.12 We face certain risks related to the cultivation of Ganoderma, Spirulina and other natural ingredients

We cultivate and produce natural ingredients such as Ganoderma, Spirulina, Cordyceps, Roselle, Lion's Mane Mushroom, Tiger Milk Mushroom, pineapples, aloe vera and Noni, and source other natural ingredients such as Ganoderma and Spirulina from third party suppliers in China. The cultivation and production of these natural ingredients are subject to risks inherent in the agricultural business, including risks of crop failure presented by weather, climate change, natural disasters, insects, infestations, fire, diseases and similar agricultural risks. Weather patterns have an effect on the cultivation and production of our natural ingredients in China and India. In China, Spirulina cultivation stops entirely during the winter (which occurs from November to March of the following year) and can be affected by unusual or rainy weather during the cultivation season (which occurs from April to October). In India, our Spirulina yield is typically lower during the rainy season which occurs from September to December and Ganoderma cultivation typically slows down during the winter season which occurs from December to March of the following year. Further, if our crops are affected by pests or crop disease, which often lead to reduced crop quality, stunted growth or death of the plant, we will have to dispose the applicable portions of these crops and if any applicable government or regulatory agencies finds that the quality of our crops is unsuitable for commercialisation, we will be required to destroy those crops, which could have a material adverse effect on our business.

In addition, our natural ingredients are cultivated in specific, controlled environments. For example, Ganoderma mushrooms are cultivated in a controlled environment that requires specific temperatures and uncontaminated water for optimal growth. There can be no assurance that there will be no disruptions to the electricity or water supplies to our cultivation facilities, unusual weather conditions or other unexpected business interruptions that will interrupt our cultivation activities and in turn, materially and adversely affect our business operations. For example, we experienced frequent electricity power cuts in our cultivation facility in Odisha, India as is typical for the area during the summer period, during which we rely on more costly alternative power sources such as diesel for our irrigation and other production activities. There can be no assurance that our cultivation facility will not experience similar power supply shortages in the future. See Section 5.1.11 of this Prospectus for further details.

5.1.13 We face risks related to failures or breaches of our IT systems

We rely on our own IT systems and infrastructure, as well as those of third parties, to support our business and performance. We use a variety of in-house technological solutions to track and analyse data to manage inventory, plan production, prevent overstocking and communicate with Members. We have a web portal (eWorld) and mobile applications (DXN app and DChat app) where Members are able to order products, monitor sales and track rewards such as special promotions, their month-to-month bonus information, their ePoints balance and transaction history. We have also integrated the eWorld web portal with our regional websites, such that branches in foreign jurisdictions are able to publish and disseminate marketing content and individual Members can drive sales and engage non-Members by creating their own personal shopfront webpages. Our web portal, mobile application and other technological solutions rely on a variety of other technological tools, including online ordering systems, electronic billing and third party cloud solutions. We also use third party software for certain of our IT systems pursuant to contracts, which we renew on an annual basis. See Section 7.15 of this Prospectus for further details.

We have an internal IT security team that plans, monitors and establishes our security plans and infrastructure, including network security, system installation and patching, and IT system strategies. We have also formulated various policies surrounding system security and data backup, as well as conducted testing of our internal IT system recovery plan. Nevertheless, our and our third party service providers' data, IT systems and infrastructure may be vulnerable to various potential risks, including but not limited to incidents originating from legacy or non-integrated systems, or both, as well as fires, natural disasters, power failure, telecommunication failure, terrorist attacks, break-ins, data corruption and similar events may also occur. Other risks and challenges could arise as we upgrade, modernise and standardise our IT systems.

We may also face risks as a result of human error or malfeasance or failure, disruption, cyber incidents or other security breaches of third party systems or infrastructure. As techniques used by cyber criminals change frequently, a failure, disruption, cyber incident or other security breach may go undetected for a long period of time. A failure, disruption, cyber incident or other security breach of our IT systems or infrastructure, or those of our third party service providers, could result in the theft, transfer, unauthorised access to, disclosure, modification, misuse, loss, or destruction of the Company's, employee's, Member's or other third party's data, including sensitive or confidential data, personal information and intellectual property. Furthermore, our ability to protect and monitor the practices of our third party service providers is more limited than our ability to protect and monitor our own IT systems and infrastructure. Efforts and investments to monitor our IT systems and infrastructure are costly, and as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Further, there can be no assurance that our efforts will prevent a failure, disruption, cyber incident or other security breach of our or our third party service providers' IT systems or infrastructure, or that we will detect or respond timely if there is such a failure, disruption, cyber incident or other security breach. Any such failure, disruption, cyber incident or other security breach could adversely affect our business, including our ability to expand our business, cause damage to our reputation, result in increased costs to address internal data, security, and personnel issues, and result in violations of applicable privacy laws and other laws and external financial obligations such as governmental fines, penalties, or regulatory proceedings. We may also face remediation efforts (liabilities for stolen assets or information, or repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorised use of proprietary information or the failure to retain or attract Members following a cybersecurity incident, litigation and legal risks, increased insurance premiums, reputational damage affecting our customers' and investors' confidence, as well as damage to our competitiveness, Share price and long-term shareholder value. Any failure by us to adequately protect our IT systems and the confidential data which we hold could have a material adverse effect on our business, financial condition and results of operations.

5.1.14 We face risks related to the unauthorised disclosure of confidential information and compliance with privacy laws

We store highly confidential information on our IT systems, including personal data, financial information, and other types of information related to our business, products and Members, including but not limited to, through our eWorld web portal and DXN app. See Section 7.15 of this Prospectus for further details on our IT systems. We also collect and process a considerable volume of information which is considered, in certain jurisdictions, to be sensitive personal data and is subject to legal regulations. As such, we must ensure that any processing, collection, use, storage, dissemination, transfer and disposal of data for which we are responsible to, complies with relevant data protection and privacy laws in each jurisdiction, including the PDPA, the General Data Protection Regulation in Europe and the Personal Data Protection Act in Singapore.

We rely on commercially available systems, software, tools and monitoring to provide secure processing, transmission and storage of confidential customer information, such as credit card details and other personal information. Our facilities and systems, either of our e-commerce platform, as well as those of our third party service providers, may be vulnerable. See Section 5.1.13 of this Prospectus for further details on potential risks related to failures or breaches of our IT systems. If our servers or the servers of the third parties on which our data is stored are the subject of a physical or electronic break-in or other cyber risks, confidential information could be stolen, rendered unavailable, devalued or destroyed. Any security breach involving the misappropriation, loss or other unauthorised disclosure or use of confidential information of our suppliers, Members, external distribution agencies or others, whether by us or a third party, could subject us to civil and criminal penalties, have a negative impact on our reputation or expose us to liability. Further, the perception by our customers that we failed to comply with privacy laws or properly address privacy concerns could materially harm our business and standing with our customers.

5.1.15 We face risks related to the protection of our intellectual property rights

Our future success and ability to compete depends significantly on our ability to protect our current and future brands and to defend our intellectual property rights, including trademarks, patents, industrial designs, domain names, trade secrets and know-how. We have been granted trademark registrations covering our major brands and products in the jurisdictions where such products are principally sold and have filed and expect to continue to file trademark, industrial design and patent applications seeking to protect newly developed brands and products. There can be no assurance that these registrations will be granted with respect to any of our applications. There is also a risk that we could, even if by omission, fail to renew a trademark in a timely manner or that third parties will challenge, and succeed in obtaining the invalidation of any existing or future trademarks issued to, or licensed to us. Monitoring the unauthorised use of intellectual property requires significant efforts, and we cannot be certain that the steps we have taken to protect our portfolio of intellectual property rights will be sufficient or that third parties will not infringe upon or misappropriate our proprietary rights. The improper or unauthorised use of our intellectual property rights, especially trademarks, may decrease the value of our brands, as well as cause a decline in our sales.

There can be no assurance with respect to the rights associated with intellectual property registered in certain countries where we operate. In addition, the laws of certain foreign countries, including many emerging markets, may not completely protect our intellectual property rights. The costs required to protect our patents and trademarks, especially in emerging markets, may be substantial.

While we have not had issues with counterfeiting and imitation of our products to date, there can be no assurance that counterfeiting and imitation will not occur in the future or, if it does occur, that we would be able to detect and address the problem effectively. Any occurrence of counterfeiting or imitation could impact negatively upon our reputation and brand name, lead to loss of consumer confidence in our brand, and, as a consequence, adversely affect our results of operations.

As we actively pursue innovation in the natural ingredients and health-oriented supplements industry and enhance the value of our intellectual property portfolio, we may be involved in litigation to protect our intellectual property or to defend against claims of invalidity or infringement by others. An adverse outcome in litigation or any similar proceedings could adversely affect our business, financial condition and results of operation. In addition, the diversion of management's attention and resources while addressing any intellectual property litigation claim, regardless of whether the claim is valid, could be significant and could materially affect our business, financial condition and results of operations.

5.1.16 Our insurance coverage may be inadequate

While we maintain insurance policies to cover a variety of risks that are relevant to our business needs and operations, and our principal assets (save for certain biological assets), there can be no assurance that any insurance proceeds we receive would be sufficient to cover all insured losses and/or liabilities. See Section 7.21 of this Prospectus for further details on our insurance policies.

In September 2020, an electrical fault at one of our facilities in Kedah, Malaysia resulted in a fire which engulfed one of our warehouses in our manufacturing facility resulting in the property, plant and equipment and inventories of RM17.6 million collectively being written off. We submitted an insurance claim for the fire incident for a total sum of approximately RM25.3 million during FYE 28 February 2021, of which RM15.4 million was approved. While we have made claims and received compensation under our insurance policies in the past, there can be no assurance that we will be able to successfully claim for the full amount of the losses suffered or receive the full amount of our claim from the insurer or that our existing insurance policies will be sufficient to cover all of our potential losses or risks associated with our business and operations.

There are certain types of risks that are not covered by our policies, such as war, force majeure and certain business interruptions such as the COVID-19 pandemic. In addition, while our Group holds product liability insurance, such insurance policies may not cover all liabilities, including product liability claims. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance or which is not covered by our insurance policies or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs which would have a material adverse effect on our business, financial condition, and results of operations.

5.1.17 We face certain risks related to the perceived safety and reputation of the direct selling industry

The public's perception of direct selling companies, including the perception of our Company, is dependent upon a number of factors, including:

- incidents that reflect doubt as to the quality, safety or efficacy of natural ingredients used or products manufactured, distributed or sold by the direct selling industry;
- opinions on the direct selling business generally, including perceptions on marketing programs or the attractiveness or viability of the financial opportunities that direct selling companies may provide;
- negative reports, news, scandals or other unfavourable incidents associated with the health-oriented supplements or direct selling industry or health-oriented and dietary supplement products;
- determination by regulatory authorities that such health-oriented and dietary supplement products are detrimental to public health;
- actual or purported failure by direct selling companies or Member-equivalents to comply with applicable laws, rules, and regulations, including those regarding over-claiming product efficacy, other product claims and advertising, good manufacturing practices, marketing regulations, product registration requirements; and
- actual or alleged impropriety, misconduct, or fraudulent activity by any person formerly or currently associated with any direct selling companies or in the direct selling industry.

Adverse publicity concerning any of the foregoing whether or not accurate or resulting in investigation, enforcement, or other legal or regulatory actions or the imposition of fines, penalties, or other sanctions, may not only damage the reputation of the parties involved, but also the direct selling industry in general, and may adversely affect us even if such parties or incidents have no relation to us, our products or our counterparties.

5.1.18 Direct selling companies are subject to numerous laws and our direct selling business model could be deemed as non-compliant with current or newly adopted regulations or laws

The direct selling industry is subject to a number of federal and state regulations. For more information on the relevant laws and regulations governing our Group in our core markets, see Section 7.26 of this Prospectus.

Laws specifically applicable to direct selling companies generally are directed at preventing deceptive or misleading marketing and sales practices, and include laws often referred to as "pyramid" or "chain sales" scheme laws. These anti-pyramid laws are focused on ensuring that product sales ultimately are made to end consumers and that advancement within a sales organisation is based on sales of products and services rather than investments in the organisation, recruitment of other participants, or other non-retail sales-related criteria. The regulatory requirements concerning direct selling programmes do not include "bright line" rules, involve a high level of subjectivity and are subject to judicial interpretation. Our Group is subject to the risk of any changes in these laws or regulations or the enforcement or interpretation of these laws and regulations by the governmental agencies or courts. See also Section 5.1.23 of this Prospectus for further details on risks relating to differences in interpretations of laws or regulations.

There are also additional risks in certain jurisdictions, such as Mexico, Peru, Bolivia and Mongolia, where there are no laws or guidelines governing the direct selling industry or where the application of such laws and guidelines are unclear. The table below sets out the contribution from Mexico, Peru, Bolivia and Mongolia in terms of gross revenue for the financial years/period indicated:

	FYE 28 February 2019		**FYE 29 February 2020**		**FYE 28 February 2021**		**FPE 31 December 2021**	
	RM million	**% of gross revenue[(1)]**	**RM million**	**% of gross revenue[(1)]**	**RM million**	**% of gross revenue[(1)]**	**RM million**	**% of gross revenue[(1)]**
Mexico	121.6	12.5	158.1	13.3	166.6	14.2	148.5	13.9
Peru	198.8	20.4	268.1	22.6	252.6	21.6	243.2	22.7
Bolivia	111.1	11.4	143.2	12.1	140.7	12.0	153.5	14.4
Mongolia	12.8	1.3	14.6	1.3	15.0	1.3	15.3	1.5

Note:

(1) Calculated based on 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, lifestyle products and operating a café.

We may face increased compliance costs if authorities in those jurisdictions were to enact or update such laws.

Any direct selling companies that we own or acquire in the future, or any modification to our bonus and compensation plan, could be found to be non-compliant with current or newly adopted laws or regulations in one or more markets, which could prevent us from conducting our business in these markets. For example, Oman passed a law in 2021 prohibiting all pyramidal marketing activities in the country. We believe that our direct selling business in Oman does not fall within such prohibited pyramidal marketing activities, and we have thus far not received any notice from the authorities prohibiting us from operating our business or been subject to any enforcement action. Laws or regulations affecting direct selling companies could harm our prospects, business activities, financial condition and results of operations. The implementation of such regulations may be influenced by public attention directed toward a direct selling company, its products or its direct selling program, such that extensive adverse publicity could result in increased regulatory scrutiny.

5.1.19 We are subject to extensive legal and regulatory requirements in the countries in which we operate and any changes in the relevant laws and regulations may significantly increase our compliance burden

Our products and business activities are regulated by various laws and regulations, including those relating to food products, health-oriented supplements, general consumer protection, product safety, foreign direct investments and direct selling, and we are subject to extensive supervision by government and other agencies in respect of various aspects of our operations, including licensing and certification requirements, product registration requirements, quality and safety standards and periodic renewal and reassessment procedures and the way we conduct the direct selling business.

Foreign investments in our subsidiaries in India, including the Indian Subsidiaries are regulated through the Consolidated Foreign Direct Investment Policy and the FEMA. The FEMA regulates transactions involving foreign exchange and generally provides that certain transactions cannot be carried out without the general or specific permission of the RBI or the government of India. There have been certain instances of procedural non-compliance by the Indian Subsidiaries with the applicable foreign investments requirements in the past, including failure to notify or obtain approval from the RBI and other regulatory authorities in India in respect of certain transactions, file annual return on Foreign Liabilities and Assets with the RBI, or undertaking entity user registration with RBI. We expect to incur rectification costs and monetary penalties of a non-material amount for these non-compliances. While we have regularised some instances of non-compliances, we are still in the process of making regularisation applications with the relevant authorities in India to regularise certain non-compliances, which we expect to be completed within two years from the date of this Prospectus. We will provide further updates on the regularisation process of these non-compliances in our annual report. As we continue to grow, there could be further instances of inadvertent non-compliances with the foreign exchange laws in India, which may subject us to regulatory action in India, including monetary penalties. Further, any changes to the regulations issued by the RBI under the FEMA which impose further restrictions or requirements in respect of foreign investments may increase our compliance burden, cause us to incur additional cost or otherwise adversely affect our business and our financial performance.

Our various facilities are required to comply with certain quality standards as well as any other applicable standards. For example, we are required in Malaysia to obtain CCCs for our buildings as official recognition that the buildings are fit for the purpose it was built for, and use our facilities in accordance with the category of land use and the express condition stipulated in the land title of our facilities. Failure to obtain CCCs in a timely manner, or to comply with the category of land use or express conditions (or obtain approval to vary such conditions in the land title), may affect our ability to operate at our facilities, and expose us to fines and other penalties, including, in the event of failure to obtain approval to change the express condition, the possibility of relocation of our facilities. As at the LPD, while no enforcement action has been taken against us in respect of the CCC and land title-related non-compliances in Malaysia and we are actively undertaking rectification measures in respect of such non-compliances. However, there can be no assurance that local authorities will not impose fines and/or penalties on our Group in the future.

We are also required to comply with GMP regulations for:

- manufacturing facilities which produce food supplements, pharmaceutical products or cosmetic products in countries which require GMP compliance; or

- manufacturing facilities which export food supplements, pharmaceutical products or cosmetic products to countries that require GMP compliance.

All our manufacturing facilities are GMP compliant save for our virgin coconut oil manufacturing facility in South Kalimantan, Indonesia, our tea products manufacturing facility in Anxi, China and our fortified beverages manufacturing facility in Tlaxcala, Mexico which do not require GMP compliance. Failure to comply with such practices may have a material and adverse effect on our ability to manufacture and in turn, sell and/or distribute certain of our products, which may materially and adversely affect our business operations. We also maintain various certifications on a voluntary basis, including but not limited to Halal certification, ISO standards and HACCP principles. We are subject to periodic inspections by the relevant certification agencies. If we are unable to obtain or renew such certifications in a timely manner, or at all, our products may lose their commercial value or brand value, affecting our sales and distribution, which may materially and adversely affect our business operations. For example, in 2021, our TGA certification from the Department of Health, Australia lapsed as the TGA was unable to schedule an on-site inspection of our facilities in Malaysia due to the COVID-19 pandemic. While this has not caused a material impact on our business, the TGA certificate is a supporting document for certain other product licence applications and renewals, including a food supplement product licence in Canada. As at the LPD, we have applied for and are pending a response for the re-certification for our TGA certificate. See Section 5.1.8 of this Prospectus on further details on the potential impact of COVID-19 pandemic on our business and results of operations.

In addition, we are required to possess various approvals, permits or licences to manufacture, market and sell our products. Further details of our major licences, permits and approval are set out in Section 7.22 of this Prospectus. See Section 5.1.18 of this Prospectus for further details on direct selling licences that we are required to obtain and maintain. These approvals, licences and permits need to be reviewed on a periodic basis or reassessed by the relevant regulatory authorities. We may not be able to renew such licences with the authorities, particularly if authorities choose to impose new terms or conditions which we may be unable to fulfil in future. We may also be subject to periodic inspections, examinations, inquiries or audits by government agencies, and an adverse outcome from any such inspection, examination, inquiry or audit may result in the loss or non-renewal of permits, licences or certifications required for our business operations. In certain jurisdictions, failure to comply with these rules could result in the seizure of our products, significant penalties or claims and even criminal liability. Further, our licences from the authorities may even be revoked or suspended prior to the expiration. If we or other third parties such as our external distribution agencies are unable to obtain or renew such approvals, permits or licences in a timely manner, or at all, we and/or external distribution agencies may not be able to manufacture, sell and/or distribute the relevant products in the relevant jurisdiction and our business operations in such jurisdictions may be materially disrupted.

We incur ongoing costs and obligations associated with compliance with the relevant laws, regulations and standards, and failure to comply with these laws, regulations and standards could result in additional costs for corrective measures and/or subject us to penalties or restrictions on our business operations. We have had to react to changes in applicable laws and regulations in the past and future changes to such laws and regulations could require extensive changes to our business operations or give rise to increased compliance costs or material liabilities, which would have a material and adverse effect on our business, results of operations and financial condition. If we are unable to adapt our business strategies and operations accordingly, our business may be materially and adversely affected.

5.1.20 We are subject to political, legal, tax, regulatory, social and economic risks of doing business in the countries in which we operate

Our business operates on a global scale. As a result, we are subject to the laws and regulations of various jurisdictions, some of which may impose limitations on our operations.

For example, Indonesian regulations require that our production facility located in Indonesia must prioritise the use of local raw materials and/or auxiliary materials. Mexican regulations promote local sugar supply by imposing various restrictions for imported sugar, which increases the regulators' scrutiny on our business and operations as we use imported sugar. While we generally have not faced any material issues in profit repatriation from our core markets, we are subject to withholding tax requirements in certain countries such as Indonesia and the Philippines. In India, two of our subsidiaries are currently unable to remit profits to Malaysia due to errors in the registration of shareholding of our Indian subsidiaries with the Reserve Bank of India, though such subsidiaries are not restricted from declaring dividends. We are still in the process of making regularisation applications with the relevant authorities in India to regularise these errors in the registration of shareholding of our Indian subsidiaries with the

Reserve Bank of India, which we expect to be completed within one year from the date of this Prospectus.

Further, any adverse development in the political, legal, tax, regulatory, social or economic environment in the countries in which we operate could adversely affect our results of operations and prospects. These developments may include, but are not limited to, changes in political leadership, nationalisation, economic or political instability, bureaucratic delays, changes in macro-economic conditions, changes in diplomatic or trade relationships (including any sanctions, restrictions and other responses), price and capital controls, inflation, fluctuations in interest rates, constraints in commercial trades and payables, imposition of import and economic restrictions, sudden restrictive changes to government policies, introduction of new taxes on goods and services and introduction of new laws, as well as demonstrations, riots, local civil unrest, coups and war. In particular, in February 2022, armed conflict escalated between Russia and Ukraine. The United States government and other governments in jurisdictions in which we operate have imposed severe sanctions and export controls against Russia and Russian interests, and have threatened additional sanctions and controls. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, greater regional instability, geopolitical shifts and other adverse effects on macroeconomic conditions, currency exchange rates, supply chains and financial markets, which may in turn have adverse effects on our business.

A foreign government might also ban, halt or severely restrict our business, including our primary method of direct selling. These developments may result in the termination of contracts and/or disrupt our business operations in the relevant country. See Section 5.1.18 of this Prospectus for further details on the potential impact of changes in laws. If we are unable to address these matters in a satisfactory manner or adhere to or successfully implement processes in response to changing regulatory requirements, our business, costs and/or reputation may be adversely affected. We cannot predict with certainty the outcome or the impact that pending or future legislative and regulatory changes may have on our business in the future.

In addition, our labour costs may increase for various reasons, such as changes in the labour laws in the countries in which we operate. Potential disputes, adverse relations, and increases in labour costs could result in work stoppages or other events that could disrupt our business operations, which could materially and adversely affect our business and results of operations. Social or civil disturbances, terrorist attacks, hostilities and other acts of violence or war may also occur in the countries in which we operate and adversely affect, directly or indirectly, our business operations in these countries and our financial performance. The occurrence of any of these events may result in a loss of business confidence, potentially lead to an economic downturn and have an adverse effect on our business, results of operations, financial condition, and prospects.

5.1.21 We operate in numerous jurisdictions and are subject to changes in taxation rates, audits and investigations from time to time. These may result in additional tax liabilities, fines or penalties and/or tax proceedings which could have a material adverse effect on our results of operations and financial condition

We are subject to direct and indirect taxes as well as transfer pricing regulations in numerous jurisdictions. We calculate and provide for such taxes in each jurisdiction where we operate. The amount of tax we pay is subject to our interpretation of applicable tax laws of the jurisdictions where we file taxes.

We have taken and will continue to take positions based on our interpretation of tax laws, but tax accounting often involves complex matters and judgement is required in determining the provision for taxes and other tax liabilities of our Group. Although we rely on generally available interpretations of applicable tax laws and regulations, including interpretations made by the relevant tax authorities and courts of law where available, and believe that we have complied with all applicable tax laws, there can be no assurance that the relevant tax authorities or courts of law will not depart from the generally available interpretations of applicable tax laws and regulations on which we rely, and assess us with additional tax liabilities.

From time to time, we or our subsidiaries may be subject to routine or special tax and audit processes and investigations by tax authorities in relation to taxes in connection with our operations. Such audits and investigations may require the production of certain documents which may no longer be available because of the length of time since such documents were executed or prepared.

In addition, there have been instances where tax authorities have disagreed, and may in the future disagree, with our judgements. Our judgements of the likely outcomes of these tax audits to determine the appropriateness of our tax liabilities might not be sustained, and the amounts that are ultimately paid could be different from the amounts previously recorded. Any adverse finding resulting from such audits and investigations may lead to administrative proceedings and the assessment of additional tax liabilities or result in fines or penalties which could in turn increase our Group's costs of operations or our Group's effective tax rate and have a negative effect on our business, financial condition and results of operations.

There are certain ongoing tax disputes between several of our subsidiaries and the tax authorities of the jurisdictions in which we operate, including, among others, disputes over whether our subsidiary's expenses qualify as deductible expenses for tax computation purposes; our subsidiary's eligibility for tax deductions; the tariff to be paid for the import of our products; and the classification of products for the purposes of excise duty rates and GST rates. For instance, DXN Mexico has an ongoing income tax dispute with the Tax Administration Service Mexico (Servicio de Administración Tributaria) ("**SAT**"), where the SAT took the view that certain of DXN Mexico's expenses were non-deductible and that there was an omission of taxable income in respect of the reversal of excess provision. DXN Manufacturing India has an ongoing dispute with the Customs Excise and Service Tax Appellate Tribunal ("**CESTAT**") in India, over additional excise duty payable in respect of RG and GL capsules, with the CESTAT claiming that DXN Manufacturing India was applying incorrect excise duty rates for products deemed classified under the category of "health food supplements". Daxen Agritech has an ongoing custom tariff dispute with the Commissioner of Customs, New Delhi ("**Indian Customs**"), over additional custom duty payable in respect of the import of RG and GL capsules, with the Indian Customs claiming that Daxen Agritech was applying incorrect custom duty rates for products deemed classified under the category of "food". Additionally, DXN Marketing India has an ongoing GST dispute with the GST Intelligence in Belagavi, India ("**GST Intelligence**"), where the GST Intelligence took the view that DXN Marketing India was applying incorrect GST rates for the classification of RG and GL powder capsules, Spirulina powder capsules and Neeli hair oil.

The accounting provisions made for the period from the FYE 28 February 2018 up to the LPD is RM35.4 million. The accounting provisions made do not have a material impact on our Group's profitability as shown below, however, it may not be adequate if the actual tax liabilities imposed by the relevant authorities are higher.

	FYE 28 February 2019	FYE 28 February 2020	FYE 29 February 2021	From 1 March 2021 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Provisions made	1,566	6,511	18,218	5,141
Profit for the year	218,867	255,248	200,884	N/A
% of provisions made to profit for the year	0.7	2.6	9.1	N/A

The net tax exposure deemed as a high probability arising from these disputes, after taking into account the accounting provisions made is RM4.3 million.

While we have not faced such instances in the past, we may, in particular, also face disputes with local tax authorities on the judgement of transfer pricing arising out of our intragroup transactions. Our intragroup relationships are subject to complex transfer pricing regulations administered by tax authorities in various jurisdictions. It is our policy that arrangements between companies within our Group, such as the intragroup provision of services and financing, are carried out on an arm's length basis. However, the relevant tax authorities may disagree with the positions taken by our Group generally or its determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. There can be no assurance that we will succeed in defending similar disputes in the future, or that we will not incur additional tax liabilities of such amounts as to have a material adverse effect on our business, financial condition and results of operations.

Our effective tax rate in the future could also be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws. Tax rates in jurisdictions where we operate may change as a result of macroeconomic, political or other factors. Increases in the tax rate in any of the jurisdictions in which we operate could have a negative impact on our profitability.

In addition, changes in tax laws, treaties or regulations, or their interpretation or enforcement, may be unpredictable, particularly in less developed markets, and could become more stringent which could materially adversely affect our tax position. Any of these occurrences could have a material adverse effect on our business, results of operations and financial condition.

5.1.22 We are subject to environmental laws and regulations and face compliance costs and risks

Our production facilities are located in several countries, including Malaysia, China, India, Indonesia and Mexico and we are subject to the relevant environmental laws and regulations with respect to our operations. These laws and regulations require us to adopt measures and controls in respect of wastewater discharge, emissions of air pollutants, waste disposal and management, occupational health and safety and management of hazardous substances. We have adopted measures to comply with such requirements, and in addition to these measures, we have voluntarily implemented further steps and policies to reduce our environmental impact. However, there is no assurance that these measures will be sufficient in the future. For further details on the environmental laws and regulations we are subject to, see Sections 7.26 and 7.29.2 of this Prospectus.

As at the LPD, our subsidiary, Anxi Gande Foluohua is exposed to potential liabilities in respect of non-compliance with environmental laws and regulations, for failing to obtain the required environmental approvals for the construction and usage of its facilities, putting the constructions into use before passing the requisite environmental inspection, and failing to conduct the environmental impact assessment procedure on its production facilities. DXN Corporation Ningxia had on 17 May 2022 entered into a share sale agreement to dispose of its entire equity interest in Florin Fujian (which wholly-owns Anxi Gande Foluohua), where following completion, Anxi Gande Foluohua will cease to be a subsidiary of our Group. While we have not had other instances of violation of environmental laws or regulations in the past which were material to our Group, there is no assurance that such violations would not arise in the future and expose us to fines or other penalties, which could have a material and adverse impact on our business, results of operations, prospects and reputation. Moreover, environmental laws and regulations tend to be complex and frequently revised and the interpretation of such laws and regulations is constantly changing, resulting in uncertainty and making it difficult to predict the effect of such laws and regulations on our business and operations. Environmental laws and regulations are becoming increasingly stringent globally and this may result in increased costs of compliance for us, including costs of obtaining and maintaining compliance with required licences. We may not be able to pass on such costs to customers, which may have a material effect on our profitability.

5.1.23 We may be involved in legal proceedings that, if adversely adjudicated or settled, could adversely affect us

In the course of our business, we may, from time to time, become involved in disputes with various parties (including our employees, suppliers, distributors, Members and other customers) in relation to, among others, contractual interpretation, employee or employment claims, claims related to our products or advertising, product liability and infringement of intellectual property rights, which may lead to litigation or other proceedings.

In addition, we may have disagreements with regulatory bodies in the course of our operations or may be investigated by regulatory bodies, which may subject us to administrative proceedings, unfavourable orders, directives, decrees or sanctions such as fines or other penalties.

Such disputes, investigations, or other proceedings could in turn result in costs and negative publicity to us, regardless of the outcome. We may be forced to dedicate time and attention to defend against these claims, which could prevent us from concentrating on our business. Depending on the result, certain lawsuits, investigations or other proceedings may be concluded or settled on terms unfavourable to us, result in restrictions to our operations and adversely affect our business, financial condition and results of operations. Any attempts to resolve outstanding disputes may also be protracted and complaints that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, may further lead to investigations by regulators.

For example, a winding up petition was filed by the Securities and Exchange Commission of Pakistan ("**SECP**") against our subsidiary, DXN Pakistan, in 2018 for unauthorised multi-level marketing through its offices and/or service centres in Islamabad, Peshawar, Lahore and Karachi as well as through DXN Pakistan’s website. The SECP first issued a show cause notice to DXN Pakistan in 2016, further to which DXN Pakistan defended allegations that it had carried out unlawful or fraudulent activities. In 2017, DXN Pakistan attended a hearing at the SECP's request to explain its operations.

Subsequent to its investigations, the SECP issued a public warning and an impugned order ("**Order**") against DXN Pakistan in 2018, on the basis that DXN Pakistan was carrying out unauthorised multi-level marketing activities. The Order authorised the SECP to file a winding up petition against DXN Pakistan before the High Court of Islamabad. The High Court of Islamabad subsequently suspended the SECP from enforcing the Order against DXN Pakistan until the next hearing date on 15 June 2022, in order for DXN Pakistan to address the arguments raised by the SECP. In respect of these proceedings, we believe that even if the Order is enforced, the winding-up of DXN Pakistan's operations in Pakistan is not expected to have a material impact on our business, financial condition and results of operations. Our sales from Pakistan for the FYE 28 February 2021 only contributes RM3.4 million or 0.3% of the gross revenue of our Group of RM1,171.1 million and as at the LPD, we have a total of 12,372 active Members in Pakistan, representing approximately 0.4% of our total active Members. See Section 7.6 of this Prospectus for further details on our total active Members.

Any similar disputes, even without foundation, may be expensive to defend or respond to, and could divert our management's attention, disrupt our day-to-day operations and negatively affect our relationships with our suppliers, customers and distributors and our reputation in the industry or require our Group to change our business practices, which may materially and adversely affect our business, financial condition, results of operations and prospects.

5.1.24 We face foreign currency fluctuations risk

We are exposed to risks associated with exchange rate fluctuations, particularly with respect to the EUR, USD and RM.

Our exports, which consist of sales to external distribution agencies and our subsidiaries, are primarily denominated in USD and EUR. Sales to Members occur in local currencies before they are converted into USD and EUR and repatriated to Malaysia. 22.7%, 13.9%, 14.4%, 11.0%, 8.4%, 5.7% and 3.0% of our total sales for the FPE 31 December 2021 are denominated in PEN, MXN, BOB, INR, RM, USD and EUR, respectively. Our purchases are denominated mainly in RM and USD and our operating expenses are denominated mainly in RM. 53.4% and 2.0% of our total purchases for the FPE 31 December 2021 are denominated in RM and USD, respectively. To the extent that our sales, purchases and operating expenses are not naturally matched in the same currency and there are timing differences between invoicing and collections/payment, we will be exposed to any adverse fluctuations of local currencies against the USD and EUR.

In December 2016, Bank Negara Malaysia ("**BNM**") implemented an export conversion rule requiring exporters to convert at least 75% of export proceeds into the RM. As such, we were only able to retain up to 25% of our export proceeds in foreign currencies. In March 2021, BNM removed the export conversion rule effective April 2021. Following which, we are able to manage currency conversion to RM more flexibly according to our cashflow needs or exchange rate favourability. There can be no assurance that the government or central bank in the jurisdictions where we operate will not impose these or other foreign exchange controls in the future. The imposition of such controls may lead to increased exposure of the economy to potential risks and vulnerability of developments in the international markets and thus may adversely affect our business, financial condition and results of operations, the value of our Shares and the ability of our shareholders to liquidate their Shares.

5.1.25 Leakage of cash payments made at our branches may adversely affect our revenues and financial condition

Our revenues derived from payments made in our sales branches are dependent on the integrity of our payment collection management systems, including the collection of cash, and may be reduced through incidences of theft, fraud, violations or technical failures of our payment collection management systems or processes with respect to cash collection. While these payment collection management processes are part of our policies on which we require our branch managers and persons in charge to undergo training, given that many of our customers make payments in cash at our sales branches, if cash collection is not properly monitored or if there are cash collection errors, such leakage may result in a reduction of our revenues from sales branches. Any significant failure by us to control leakage in payment collection systems could have a material adverse effect on our results of operations.

5.1.26 We rely on key personnel and the loss of members of our Directors and Key Senior Management and/or our inability to attract, retain and train key personnel may adversely affect our business, financial condition and results of operations

Our success depends, in part, upon the abilities, performance and continued efforts of our Directors and Key Senior Management and on our ability to retain our key personnel. The loss of any of our Directors, Key Senior Management or key personnel could materially and adversely affect our performance and we may not be able to replace them with individuals that possess equivalent experience and expertise in a timely manner.

Our success also depends, in part, on our continuing ability to identify, hire, attract, train, develop and retain other highly qualified personnel. Key personnel may leave us for a variety of reasons and the impact of these departures is difficult to predict, which may hinder the implementation of our strategic plans and adversely affect us. Such turnover also creates a risk of business processes not being sustained if the turnover occurs with inadequate knowledge transfer. Competition for these key employees can be intense and our ability to hire, attract and retain them depends on our ability to provide competitive compensation. Our failure to do so could materially and adversely affect our business, including the execution of our global business strategy.

5.1.27 We are controlled by our substantial shareholders whose interests may not always align with the interests of our other shareholders

Immediately following the completion of our IPO, our substantial shareholders will own in aggregate 71.8% of the enlarged issued Shares assuming the Over-allotment Option is not exercised. Accordingly, our substantial shareholders will still be able to exercise significant influence over the outcome of matters requiring the vote of our shareholders, including voting on appointments of our Directors, and consequently may be able to influence the composition of our Board. The interest of our substantial shareholders may differ from the interests of our other shareholders. For example, DLSJ has direct interest in Daehsan Biotech Private Ltd, a company in India having a similar trade as that of our Group, and Sunyatee International Foundation and Zaman Biotech Sdn Bhd, companies which are a supplier and customer to our Group respectively, although our Board is of the view that such interest does not give rise to any existing or potential conflict of interest situation, or has been mitigated. See Section 11.1 of this Prospectus for further details.

Our substantial shareholders could also have significant influence in determining the outcome of corporate transactions or other matters submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions to the extent that they are not required to abstain from voting (and procuring persons connected to them to abstain from voting) in respect of such transactions and corporate actions. Our substantial shareholders are also able to prevent or cause a change in control in our Company.

5.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

5.2.1 The health-oriented and wellness consumer products industry is characterised by rapid change and advances in technology or other developments which could negatively affect our business

The health-oriented and wellness consumer products industry is characterised by rapid change and the constant emergence of new products. Advances in technology or other developments may negatively affect the competitiveness of our products or materially and adversely affect the viability of our business model. For example, new scientific evidence may disprove or dispute the safety or efficacy of our products or assert that our products cause previously unknown adverse side effects. Additionally, our competitors may also develop or acquire manufacturing techniques or technologies that allow them to create new and disruptive products which render our products less competitive. To compete effectively, we invest significant resources in R&D so as to keep pace with technological and scientific changes, integrate new technology into our products, and create new and relevant product categories. If we are unable to adapt to changing technologies or market conditions by modifying our product portfolio or business strategies accordingly, our business and prospects could be materially and adversely affected.

5.2.2 The health-oriented and wellness consumer products industry is highly competitive and we may not be able to compete successfully with our competitors

We operate in a highly competitive industry. The health-oriented and wellness consumer products industry is highly competitive as there are a number of companies in the jurisdictions that we operate in. According to Frost & Sullivan, the direct selling market of FFB, HDS, and PCC products is highly fragmented, comprising both small localised and large multinational companies, with different product offerings and geographical presence. In this fragmented market, we have positioned ourselves with innovative differentiated products which are manufactured in-house with a level of capital expenditure similar to that of comparable direct selling companies. There can be no assurance that our current or potential competitors will not offer products comparable or superior to those we offer or adapt more quickly than we do to the evolving industry trends or changing market requirements. If our advertising, promotional and marketing strategies do not succeed and if we are unable to offer new products to meet the market demands, we may be adversely affected. If our end consumers believe that our competitors' products are more attractive, our sales, profitability and results of operations may be adversely affected. There can be no assurance that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in reduced prices and gross margins, and loss of market share, any of which could have a material adverse impact on our business and results of operations.

Moreover, some of our competitors have been in business longer than we have and may have substantially greater financial, marketing and other resources than us. Our competitors may be able to devote greater resources than us to invest in marketing and business development. Our competitors may also be acquired by, receive investments from, or enter into other commercial relationships with larger, better-established and better-financed companies in certain lines of business. As such, we may be materially adversely affected to the extent we are unable to compete successfully with our competitors.

5.2.3 Changes in consumer preferences may adversely affect our business, financial condition and operating results

We operate in an industry that is subject to rapid and unpredictable changes in consumer demand and trends. Consumer preferences and trends may change due to a variety of factors, including factors beyond our control, such as new market trends, changes in the characteristics and ingredients of products, changes in demographic trends, negative publicity from lawsuits against us or our peers, or a weak economy in one or more of the markets in which we operate Such changes may adversely affect the demand for our products and in turn, materially and adversely affect our business and growth prospects. In addition, consumers may switch to the products of competitors, such that the demand for products in our segment as a whole could decline. See Section 5.2.2 of this Prospectus for further details. If we are unable to anticipate changes in consumer preferences and trends, or successfully create new products to cater to such changes and preferences or we are not able to respond to restrictions on our business due to customs, norms and policies in the various jurisdictions in which we operate, our business, financial condition and results of operations could be materially adversely affected.

In addition, consumer purchasing habits, including reducing purchases of health-oriented supplements generally, or reducing purchases from representatives through direct selling by buying health-oriented and related products in other channels such as retail, could reduce our sales, impact our ability to execute our global business strategy or have a material adverse effect on our business, financial condition, results of operations and prospects.

5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

5.3.1 The offering of our Shares may not result in an active and liquid market for our Shares

There can be no assurance as to the liquidity of the market that may develop for our Shares, the ability of shareholders to sell our Shares or the prices at which shareholders would be able to sell our Shares. Neither we nor our Promoter have an obligation to make a market for our Shares or, if such a market does develop, to sustain it. In addition, there can be no assurance that the trading price of our Shares will reflect our operations and financial condition, our growth prospects or the growth prospects of the industry in which we operate.

5.3.2 Our Share price and trading volume may be volatile

The market price of our Shares could be affected by numerous factors, including the following:

- general market, political and economic conditions;
- trading liquidity of our Shares;
- differences in our actual financial and operating results and those expected by investors and analysts;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general or shares of companies comparable to ours;

- perceived prospects of our business and the industry in which we operate;

- adverse media reports regarding us or our shareholders;

- changes in government policy, legislation or regulation; and

- general operational and business risks.

In addition, many of the risks described in this Section could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations that were not always related to the operating performance of such companies. There can be no assurance that the price and trading of our Shares will not be subject to similar fluctuations.

5.3.3 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 4,985,000,000 Shares, of which up to 1,406,250,000 Shares, representing up to 28.2% of the enlarged issued share capital, will be held by investors participating in our IPO, and not less than 61.9% will be held by our Promoter via its direct and indirect interests in our Company, assuming the Over-allotment Option is not exercised. Our Shares sold in our IPO will be tradable on the Main Market of Bursa Securities without restriction following our Listing. Our IPO Shares may also be sold outside the United States, subject to the restrictions of Regulation S.

In addition, our Promoter could dispose of some or all of our Shares that it holds after the moratorium period pursuant to its own investment objectives. If our Promoter sells, or is perceived as intending to sell, a substantial amount of our Shares that it holds, the market price for our Shares could be adversely affected.

5.3.4 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- the Joint Managing Underwriters’ or the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Joint Global Coordinators’ exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;

- our inability to meet the minimum public shareholding spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or

- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

- the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

- our Listing is aborted other than pursuant to a stop order by the SC under Section 245(7)(a) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares and the proceeds from our Public Issue form part of our share capital:

- the SC issues a stop order under Section 245(1) of the CMSA, any issue of our Issue Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

- our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (b) a solvency statement from the directors.

5.3.5 We may not be able to pay dividends

As part of our Board's guidance on dividends, we aim to declare a certain portion of our retained earnings for the year, subject to the approval of our Board and to any applicable law and contractual obligations, as dividends, provided that such distribution will not be detrimental to our Group's cash requirements or to any plans approved by our Board. See Section 12.4 of this Prospectus for further details of our dividend policy. We propose to pay dividends after setting aside the necessary funds for capital expenditure and working capital and taking into account applicable restrictive covenants under our financing documents such that any declaration of dividends shall not exceed our distributable profits. We believe that we have sufficient working capital for the next 12 months from the date of this Prospectus, based on our cash generated from our operating activities, cash and bank balances, credit facilities and the gross proceeds of approximately RM[●] million that we expect to raise from our Public Issue. However, there can be no assurance that our working capital will be sufficient or that we will be able to make dividend payments in the future. Even if we are able to pay dividends, our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends or to pay smaller dividends that we currently propose. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends. If we do not pay dividends, or we pay dividends at levels lower than anticipated by investors, the market price of our Shares may be negatively affected and the value of your investment in our Shares may be reduced.

Our Company is a holding company and substantially all of our operations are conducted through our subsidiaries, joint venture and associate. Accordingly, dividends and other distributions received from our subsidiaries, joint venture and associate are our Company's principal source of income. Our Company or our subsidiaries or joint venture or associate may also enter into financing agreements which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash or profit available for the distribution of dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all.

5.3.6 This Prospectus contains forward-looking statements which may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including without limitation to those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions, and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, achievements, or industry results expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.