

DXN HOLDINGS BHD.
Registration No.: 199501033918 (363120-V)
(Incorporated in Malaysia)

Minutes of the Twenty-Seventh Annual General Meeting (“**27th AGM**” or “**meeting**”) of the shareholders of DXN HOLDINGS BHD. (“**DXNH**” or the “**Company**”) held at DXN Cyberville, Jalan Teknokrat 1, Cyberjaya, 63000 Cyberjaya, Selangor on Monday, 21 August 2023 at 10:06 am.

- Present:**
1. Datuk Lim Siow Jin, Executive Chairman
 2. Mr. Teoh Hang Ching, Executive Director & Chief Executive Officer
 3. Dato’ Lim Boon Yee, Non-Independent Non-Executive Director
 4. Mr. Vibhav Panandiker, Non-Independent Non-Executive Director
 5. Datuk Noripah Binti Kamso, Senior Independent Non-Executive Director
 6. YM Tunku Afwida Binti Tunku A. Malek, Independent Non-Executive Director
 7. Mr. Stefan Heitmann, Independent Non-Executive Director
 8. Abraham Verghese A/L T V Abraham, Independent Non-Executive Director
 9. Ms. Ong Huey Min, Independent Non-Executive Director
- In Attendance:**
- Management Team
1. Ms. Lim Yew Lin, Chief Financial Officer
 2. Ms. Lim Beng Cheng, Financial Controller
- Company Secretary
1. Ms. Ong Tze-En, Joint Company Secretary (“Ms. Ong”)
- External Auditors:**
1. Mr. Raymond Chong Chee Mon, Partner, KPMG PLT
 2. Ms. Tan Li Li, Executive Director, KPMG PLT
- Polling Agent:** Boardroom Share Registrars Sdn. Bhd.
- Scrutineer:** SKY Corporate Services Sdn. Bhd.
- Shareholders / Corporate Representatives / Proxies / Invitees** As per the Attendance List attached

The shareholders, corporate representatives, proxies and invitees (collectively “**the Attendees**”) who attended 27th AGM are set out in the Attendance List attached to and which formed an integral part of these Minutes.

Welcome Address & Administrative arrangements

- (A) Ms. Shu Wain, Master of Ceremonies, extended a very warm welcome to all Attendees who attended the 27th AGM of the Company.
- (B) She requested all Attendees to note the administrative guide as included in the 2023 Annual Report and encouraged them to have a word with the representative of Polling Agent, BoardRoom Share Registrars Sdn. Bhd. (“**BRSRS**”) should the need arise.
- (C) She added that discussion on matters that transpires in this AGM is deemed confidential and only for the knowledge of such relevant parties, so any visual or audio recording of the meeting proceedings while the AGM is conducted is strictly prohibited.

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- (D) She highlighted that every member present at this AGM today either in person, or by corporate representative or by proxy, has the right to participate, speak and vote on the resolutions as stated in the agenda of this meeting.
- (E) She requested each member to introduce himself or herself by stating their name and whether he/she is a shareholder or a proxy or a corporate representative before raising questions.
- (F) She proceeded to introduce members of the Board of Directors of the Company, the Company Secretary, Chief Financial Officer of the Group, Senior Financial Controller and the external auditors, KPMG PLT.

Notice of meeting

- (G) Datuk Chairman informed that the Notice of the 27th AGM was announced and circulated to the shareholders, Directors and the external auditors, KPMG PLT on 30 June 2023. The Notice of the 27th AGM together with Annual Report 2023 are published on the corporate website as well. As the Notice has been properly given, it is taken as read.

Call to order and determination of quorum

- (H) Datuk Chairman highlighted that the Constitution of the Company provides that two (2) members present in person or by proxy or by corporate representatives shall be a quorum. As the requisite quorum was present at the start of meeting, Datuk Chairman then called the meeting to order.
- (I) Datuk Chairman informed that there were eight (8) Ordinary Resolutions to be tabled for approval by the shareholders as set out in the Notice of the 27th AGM dated 30 June 2023. As required by Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all eight (8) Ordinary Resolutions as set forth in the Notice would be taken on poll. In view of this, voting on these 8 Ordinary Resolutions shall be determined by way of electronic poll voting.
- (J) He then exercised his right, as Chairman of the meeting, to demand for poll in accordance with Clause 143 of the Company's Constitution for all eight (8) Ordinary Resolutions.
- (K) Datuk Chairman also highlighted that some of the shareholders had appointed him, as Chairman of the meeting, as their proxy to vote on their behalf. Therefore, he would vote for each resolution in accordance with the instructions given by the said shareholders.

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- (L) Datuk Chairman then introduced BRSRS and SKY Corporate Services Sdn. Bhd. as the appointed Polling Agent and Independent Scrutineer to conduct the polling and to verify the polling process respectively. He informed that the polling process would be conducted upon conclusion of the deliberation of all items on the meeting agenda.
- (M) He informed that an identification wristband has been provided irrespective of whether attending this meeting as a shareholder, proxy, corporate representative, or in both capacities as shareholder and proxy. A QR code has also been generated to scan and access the e-polling system and to vote using smartphones or tablets when the voting session is open.
- (N) He then invited the Polling Agent to brief all on the voting procedures . Upon conclusion of the briefing, Datuk Chairman proceeded to deal with meeting agenda.

1. Audited Financial Statements for the financial year ended 28 February 2023 together with the Reports of the Directors and Auditors thereon

- 1.1 Datuk Chairman informed that the Audited Financial Statements for the financial year ended 28 February 2023 (“**FY2023**”) together with the Reports of the Directors and Auditors have been circulated to shareholders earlier. This agenda item is meant for discussion only. It does not required approval of shareholders and hence would not be put for voting.
- 1.2 Datuk Chairman then invited the Management team to display the video presentation concerning the overview of the Group’s financial performance for the year 2023.
- 1.3 Datuk Chairman proceeded to invite questions from the floor pertaining to any relevant accounting related matters on AFS for FY2023.
- 1.4 At this juncture, several shareholders raised queries. The list of questions and responses from the Directors is attached herein as “Appendix A”.
- 1.5 There being no further question raised, it was recorded that the AFS for FY2023 of the Company had been duly tabled and received.

2. To re-elect the following Directors retiring pursuant to Clause 188 of the Company’s Constitution and who, being eligible, offer themselves for re-election:

- (a) **Abraham Verghese A/L T V Abraham** (Ordinary Resolution 1)
- (b) **Yang Mulia Tunku Afwida Binti Tunku A. Malek** (Ordinary Resolution 2)
- (c) **Stefan Heitmann** (Ordinary Resolution 3)

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- 2.1 Datuk Chairman informed that Ordinary Resolutions 1, 2 and 3 dealt with the re-election of 3 Directors, namely Mr. Abraham Verghese A/L T V Abraham, Yang Mulia Tunku Afwida Binti Tunku A. Malek and Mr. Stefan Heitmann. All three Independent Non-Executive Directors (“**INEDs**”) retired pursuant to Clause 188 of the Company’s Constitution and being eligible, had offered themselves for re-election.
- 2.2 He added that details on the Board’s justifications and basis in support of their re-election are included in the Explanatory Notes on Page 212 of the Annual Report 2023.
- 2.3 Datuk Chairman proceeded to invite questions from the floor. None was noted.
- 2.4 On the proposal of Datuk Chairman, the Ordinary Resolutions 1, 2 and 3 were put to vote individually by way of poll.
- 3. To approve the payment of Directors’ fees and benefits payable of up to RM800,000 for the period commencing one day after this AGM through to the next AGM of the Company in 2024 (Ordinary Resolution 4)**
- 3.1 Datuk Chairman informed that the next agenda item was to approve the payment of Directors’ fees and benefits payable of up to RM800,000 for the period commencing one day after this AGM through to the next AGM of the Company in 2024. Details are enumerated in the Explanatory Notes on Page 212 of the Annual Report 2023.
- 3.2 Datuk Chairman added that all INEDs and persons connected to them are deemed interested and had therefore, abstained from voting in respect of their direct and/or indirect interest on Ordinary Resolution 4.
- 3.3 No questions were noted from the floor.
- 3.4 On the proposal of Datuk Chairman , the motion for Ordinary Resolution 4 was put to vote by way of poll.
- 4. To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 28 February 2024 and to authorise the Directors to fix their remuneration (Ordinary Resolution 5)**
- 4.1 Datuk Chairman informed that Ordinary Resolution 5 was to re-appoint KPMG PLT as Auditors of the Company for ensuing year to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. He added that KPMG PLT had indicated their willingness to accept re-appointment.
- 4.2 Datuk Chairman proceeded to invite questions from the floor. None was noted.
- 4.3 On the proposal of Datuk Chairman, the Ordinary Resolution 5 was put to a vote by way of poll.

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4.4 Having concluded the ordinary business of the meeting, Datuk Chairman proceeded on with the Special Business.

5. Authority under sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares (Ordinary Resolution 6)

5.1 Datuk Chairman informed that Ordinary Resolution 6, if passed, would empower the Directors to allot and issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company.

5.2 Datuk Chairman added that the Board is also seeking mandate from the shareholders to waive the statutory pre-emptive rights under Section 85 of the Companies Act 2016 read together with Clause 37(a) of the Constitution of the Company. The shareholders' approval would allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of these new shares of the Company under the General Mandate.

5.3 Datuk Chairman further informed that the renewal of this general mandate would provide the Board a certain amount of flexibility, when the need arose, to issue additional shares subject to approval of all relevant regulatory bodies being obtained, where necessary.

5.4 Details of this resolution are set out in the Explanatory Notes accompanying the Notice of 27th AGM.

5.5 Datuk Chairman proceeded to invite questions from the floor. None was noted.

5.6 On the proposal of Datuk Chairman, the Ordinary Resolution 6 was put to a vote by way of poll.

6. Proposed shareholders' mandate for recurrent related party transactions of a revenue and/or trading in nature ("Proposed Shareholders' Mandate") [Ordinary Resolution 7]

6.1 Datuk Chairman informed that Ordinary Resolution 7 dealt with the Proposed shareholders' mandate for recurrent related party transactions of a revenue and/or trading in nature ("**RRPT**") ("**Proposed Shareholders' Mandate**"), details of which were as set out in Part A of the Circular to Shareholders dated 30 June 2023 ("**Circular**").

6.2 He briefed that the passing of Ordinary Resolution 7 would allow the Company and its subsidiaries to enter into RRPT as set out in Section 2.4 under Part A of the Circular.

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6.3 Datuk Chairman added that as disclosed under Section 7 of the Circular, he and Dato' Lim Boon Yee are regarded as interested in the Proposed Shareholders' Mandate by virtue of their direct and indirect shareholdings. Both he and Dato' Lim Boon Yee had abstained from voting in respect of their direct and/or indirect interest on Ordinary Resolution 7 and had ensured that all persons connected to them would abstain from voting as well.

6.4 No question was raised by the Attendees.

6.5 On the proposal of Datuk Chairman, the Ordinary Resolution 7 was put to a vote by way of poll.

7. Proposed authority for the company to purchase its own shares ("Proposed Share Buy-Back Authority") [Ordinary Resolution 8]

7.1 Datuk Chairman informed that Ordinary Resolution 8 concerned the Proposed authority for the Company to purchase its own shares ("**Proposed Share Buy-Back Authority**"), details of which were as set out in Part B of the Circular.

7.2 Datuk Chairman added that the passing of Ordinary Resolution 8 would allow the Directors to exercise the power of the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company with effect from the date of passing of the resolution until the conclusion of the next AGM in 2024 or, if earlier revoked or varied by the shareholders in a general meeting.

7.3 Datuk Chairman proceeded to invite questions from the floor. None was noted.

7.4 On the proposal of Datuk Chairman, the Ordinary Resolution 8 was put to a vote by way of poll.

8 Any other business

8.1 In response to Datuk Chairman, the Company Secretary informed that no notice of any other business for transaction at the meeting had been received.

9 Polling and Voting Process

9.1 Datuk Chairman invited representative from the Polling Agent to take through the e-polling procedure before the shareholders proceeded with voting on all the 8 Ordinary Resolutions using BoardRoom's e-Vote App.

9.2 He added that the votes would be counted by the Polling Agent and verified by the Independent Scrutineer. They estimate it would take about 20 minutes to complete the verification of poll result.

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9.3 With the consent of the Meeting, Datuk Chairman declared the meeting adjourned for 35 minutes after the presentation by the representative of the Polling Agent. When the results are available, they will resume the meeting.

9.4 On Datuk Chairman's invitation, the representative from the Polling Agent presented a video tutorial on using the BoardRoom e-Vote App for voting guidance.

10 Announcement of Polling Results

10.1 The meeting was reconvened at 12:28 pm. Datuk Chairman called the meeting to order for the declaration of the poll results in respect of the eight (8) Ordinary Resolutions. He thanked all Attendees for their patience to wait for the results of the poll.

10.2 The poll results (attached herein as Appendix A) were verified and scrutinised by the Independent Scrutineer, SKY Corporate Services Sdn. Bhd..

10.3 Datuk Chairman proceeded to announce the results of the poll as tabulated below and the results of the poll were also projected on screen for ease of viewing by all Attendees:

	For			Against			Total vote	
	Record	No. of shares	%	Record	No. of shares	%	Record	No. of shares
OR1	87	4,118,920,960	99.9999	4	4,200	0.0001	91	4,118,925,160
OR2	84	4,118,864,960	99.9985	7	60,200	0.0015	91	4,118,925,160
OR3	86	4,118,590,960	99.9919	5	334,200	0.0081	91	4,118,925,160
OR4	72	4,117,300,460	99.9706	16	1,212,700	0.0294	88	4,118,513,160
OR5	85	4,118,920,160	99.9999	6	5,000	0.0001	91	4,118,925,160
OR6	81	4,107,514,960	99.7230	10	11,410,200	0.2770	91	4,118,925,160
OR7	81	720,777,655	99.9993	6	5,400	0.0007	87	720,783,055
OR8	85	4,118,919,760	99.9999	6	5,400	0.0001	91	4,118,925,160

10.4 Based on the poll results, Datuk Chairman then declared that all the eight (8) Ordinary Resolutions as tabled at this 27th AGM were approved and carried by majority votes.

10.5 It was **RESOLVED:**

Ordinary Resolution 1

"THAT Abraham Verghese A/L T V Abraham, who retired pursuant to Clause 188 of the Company's Constitution, be and is hereby re-elected as Director of the Company."

Ordinary Resolution 2

"THAT Yang Mulia Tunku Afwida Binti Tunku A. Malek, who retired pursuant to Clause 188 of the Company's Constitution, be and is hereby re-elected as Director of the Company."

Ordinary Resolution 3

“THAT Stefan Heitmann, who retired pursuant to Clause 188 of the Company's Constitution, be and is hereby re-elected as Director of the Company.”

Ordinary Resolution 4

“THAT the payment of Directors fees and benefits payable of up to RM800,000 for the period commencing one day after this AGM through to the next AGM of the Company in 2024, be and is hereby approved.”

Ordinary Resolution 5

“THAT the retiring Auditors, KPMG PLT be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and the Directors be and are hereby authorised to fix their remuneration.”

Ordinary Resolution 6

AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES

“THAT, subject always to the Companies Act 2016 (“**Act**”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company to such persons, at any time until the conclusion of the next Annual General Meeting (“**AGM**”) and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being.

THAT, the Directors are also empowered to obtain the approval from the Bursa Securities for the listing and quotation for the additional shares to be issued and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company

THAT, pursuant to Section 85(1) of the Act to be read together with Clause 37(a) of the Constitution of the Company, all new shares or other convertible securities in the Company shall, before they are issued, be first offered to such persons who are entitled to receive notices from the Company of general meetings as at the date of the offer in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled (“**Pre-emptive Rights**”).

AND THAT, should this resolution be passed by the shareholders, this resolution shall have the effect of the shareholders having agreed to irrevocably waive their Pre-emptive Rights pursuant to Section 85(1) of the Act and Clause 37(a) of the Constitution of the Company in respect of the new shares to be allotted and issued by the Company and the issuance of such new shares of the Company will result in a dilution to their shareholding percentage in the Company. Subsequent to the passing of this resolution, if this paragraph is or is found to be in any way void, invalid or unenforceable, then this paragraph shall be ineffective to the extent of such voidness, invalidity or unenforceability and the remaining provisions of this resolution shall remain in full force and effect.

AND THAT, the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares.”

Ordinary Resolution 7

PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING IN NATURE (“Proposed Shareholders’ Mandate”)

“THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“**Group**”) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature with specified classes of related parties (“**Recurrent Related Party Transactions**”) which are necessary for the day to day operations and are in the ordinary course of business and are carried out at arms’ length basis on normal commercial terms of the Group on terms not more favourable to the related parties than those generally available to the public and are not, in the Company’s opinion, detrimental to minority shareholders of the Company and that such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (“**AGM**”) of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (“**Act**”) (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.

AND THAT, the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Shareholders’ Mandate.”

Ordinary Resolution 8

PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED SHARE BUY-BACK AUTHORITY")

"THAT, subject to the Companies Act 2016 ("**Act**") (as may be amended, modified or re-enacted from time to time), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company (Proposed Share Buy-Back) as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 28 February 2023 be utilised by the Company for the Proposed Share Buy-Back.

AND THAT, at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled; and/or retained as treasury shares and subsequently distributed as dividends or resold on Bursa Securities or transfer for the purpose of or under an employee share option scheme ("**ESOS**") or as part of purchase consideration; or be cancelled.

AND THAT, the Directors of the Company be and are hereby empowered to take all such steps as necessary to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time and to do all such acts and things as the Board may deem fit and expedient in the best interest of the company.

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company in 2024 at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier; but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid date and in any event, in accordance with the provisions in the guidelines issued by Bursa Securities and/or by any other relevant authorities."

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11 Conclusion

- 11.1 There being no further business, the meeting concluded at 12:29 pm with a vote of thanks to Datuk Chairman. Datuk Chairman thanked to all Attendees present for their participation and extended an invitation to a complimentary lunch at the Level 1 conference hall.

Confirmed as correct

Datuk Lim Siow Jin
Executive Chairman

Response to queries posed at the Twenty-Seventh Annual General Meeting (“**27th AGM**” or “**meeting**”) of DXN HOLDINGS BHD. (“**DXNH**” or the “**Company**”) held at DXN Cyberville, Jalan Teknokrat 1, Cyberjaya, 63000 Cyberjaya, Selangor on Monday, 21 August 2023 at 10:00 am

The queries from shareholders and response from Datuk Lim Siow Jin, Executive Chairman and Mr. Teoh Hang Ching, Chief Executive Officer had been edited for clarity.

Q1 Ooi Beng Hooi | Shareholder

Peru is currently the biggest market. It has similar population size to Malaysia but revenue contribution is 4 times of Malaysia. Peru market is also bigger than other Latin America markets. DXN Group had entered Mexico market first ahead of Peru. Today, Peru market is twice the size of Mexico. Why is Peru performing better than Mexico?

Answer:

Datuk Chairman mentioned that Mexico's distinct geographic location places it firmly within North America. It boasts a substantial land border with the United States while remaining isolated from South America, resulting in a limited number of neighboring countries. In contrast, Peru has many neighboring countries which contributed significantly to cross-border sales.

DXN members totalled 3 million out of a population of 37 million in Peru. It is characteristic of DXN Concept of “One Dragon One World One Market and One Mind” whereby members in one market could sponsor new members in neighbouring countries.

Q2 Ooi Beng Hooi | Shareholder

Why doesn't the Company want to enter Brazil as Brazil has big population size?

Answer:

Datuk Chairman said that as of today, Brazil restricts the entry of Ganoderma so DXN Group is not successful in registering its Ganoderma products. Management had identified 3 alternative mushrooms for consideration: lion's mane (Hericium Erinaceus), agaricus blazei murill (ABM) and shiitake.

In the interim, DXN Group would enter Brazil through other products. Response to the recent export of lion's mane infused coffee to Brazil had been positive. DXN Group would introduce black coffee to Brazil.

In international trading, registration of products is most challenging as companies might come up against trade bodies' representation and national interests.

Two major products of DXN Group are Spirulina and Ganoderma. Spirulina (non-medicinal use) is normally in capsule / tablet form but would be changed to powder form for Brazil similar to the approach taken for Middle East market.

The queries and response had been edited for clarity.

Q3 Ooi Beng Hooi | Shareholder

Is the Company able to sustain a 20% growth in consolidated revenue in the near to medium term?

Answer:

DXN Group does not anticipate any issue to maintain 20% growth trend. 2 key approaches being deployed: market penetration (going deeper into existing markets) and market development (expanding to new markets). The confidence is supported by upon ongoing efforts to expand presence to Brazil, Argentina, North Africa (Algeria), Egypt, Central Asia (which are the former Russian bloc countries such as Turkmenistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan to name a few) and China in near future.

The Algerian market is comparable to Morocco which generates monthly revenue of averaging at RM12 million for FY2023.

The Central Asian region has population of about 100 million with per capita income similar to Malaysia. These primarily Muslim countries are familiar with DXN products which are certified Halal. A recent market development effort in Uzbekistan yielded monthly revenue of USD800K and there is potential to set up base in Uzbekistan for business expansion outward to neighbouring countries.

For the Malaysian branch, DXN's direct selling members ("**members**") from across the world have resolved to double up sales in 3-4 years. The Group is cognisant of the resolution and would capitalise on the DXN Concept to grow revenue and expand its market.

Mr. Teoh added that the past is a good indication of the growth trajectory going forward. Notwithstanding the privatisation in 2011, DXN has chalked up CAGR (compounded annual growth rate) of 16.5 for the period from FY2011 to FY2020. Despite the Covid-19 pandemic raging across the world, DXN reported a higher CAGR of 23.5% for FY2021 to FY2023. The EBITDA (earnings before interests, taxes, depreciation and amortisation) and PATMI (profit after tax and minority interests) has been on the growth trend in tandem with revenue.

He shared that the Group has implemented its high growth strategies to (a) open new markets (Brazil and Argentina in early 2024) and (b) expand into new markets (North Africa as well as Ghana and Nigeria by end 2024). In general, certain existing markets have demonstrated annual YoY growth rate for FY2023 compared to FY2022 above 15%: Europe with 43%, Middle East surging to 64% and 21% In India besides South American region.

In support of the growth strategies, the Group is building integrated facilities comprising manufacturing plants and cultivation farms in strategic localities across the globe.

The queries and response had been edited for clarity.

Datuk Chairman remarked that typical multi-level marketing (“**MLM**”) companies operate on the basis of buy from suppliers for sale to members. DXN is different in that the Group invested into research and development, cultivation and manufacturing before selling the finished products to members. Its business activities are supported by vertically integrated structured operations.

Most MLM businesses charge registration and/or entrance and/or renewal fees. It's worth noting that DXN does not charge such fees and its revenue is derived solely from sales of products.

Datuk Chairman said that the Group has been reporting growth for the past 30 years. He shared 2 key factors impacting sustainability of revenue: (a) sources of revenue – it should be from sale of products and (b) cash term – sales by cash obviates possibility of bad debts.

Mr. Teoh shared that investors should not be unduly concerned with market saturation as global demand for Direct Selling (as indicated in the Independent Market Research Report released by Frost & Sullivan GIC Malaysia Sdn. Bhd. accompanying DXN's Initial Public Offering (“**IPO**”) Prospectus) was USD153 billion in 2020 with projected CAGR of about 4.6% for 5-year period from 2022 to 2026.

Q4 Ooi Beng Hooi | Shareholder

Where can the three different types of mushrooms be cultivated?

Answer:

Presently, the mushrooms are cultivated at the main cultivation plant in Malaysia. Land is being purchased in Peru to facilitate cultivation and eventual production in Peru. As such, there should be no issue with regards to mushroom production.

Q5 Ooi Beng Hooi | Shareholder

Is Multi-Level Marketing business permitted in China?

Answer:

Direct selling activities are allowed in mainland China but the licenses are limited and issued to a few industry players only. DXN Group initiated business presence in China through online purchases. China, with its large and diverse population, is a huge market that the Group is keen on developing.

The queries and response had been edited for clarity.

Q6 Chong Jit Sheng | Shareholder

Out of the 20% growth in consolidated revenue, how much was due to price increase or foreign exchange (“forex”) gain?

Answer:

Datuk Chairman informed that there had been price adjustments (ranging from 5% to 8%) across all products and markets. In view of the depreciation of Malaysian Ringgit and similar trends in other countries, the forex gains are relatively modest.

Q7 Chong Jit Sheng | Shareholder

In view that sugar tax is being implemented by countries across the world, will this have an impact on the Company’s sales?

Answer:

Datuk Chairman shared that sugar tax (on all sugar sweetened beverages) is a common practice in the Middle East region as an effort by government to reduce consumption of sugar amongst the population. In response, DXN Group has separated sugar and creamer from beverages such as the best-selling black coffee.

In fact, the Group has pivoted to non-dairy creamer. Going forward, the Group would supply natural creamers produced from rice or soybeans.

Datuk Chairman added that people are now more concerned about their health and would want to know more of the products that they are consuming.

The Group is the pioneer in deploying nano technology to better roast and grind coffee. Datuk Chairman shared that coffee seeds are fermented, roasted and ground in-house. The nano grinding technology allows the incorporation of Ganoderma for a direct grind to produce a more refined, blended and aromatic coffee powder. Coffee is the biggest selling product of the Group.

Q8 Chong Jit Sheng | Shareholder

Why is the share price not increasing?

Answer:

Mr. Teoh commented that share prices are determined by market forces and market sentiment; all of which are beyond DXN Group’s control. The subdued share price is also affected by global economic uncertainty. The Group’s focus is on implementing its growth strategy to deliver continued growth.

Datuk Chairman shared that Morgan Stanley had initially valued DXN at RM1 per ordinary shares giving market capitalisation of RM5 billion. Following intense discussion prior to listing taking into consideration the prevailing weak market condition, IPO price was lowered to RM0.70 per ordinary share which is undervalued. The drop in pricing at IPO was due to market force and not a reflection of the true value of the Group.

The queries and response had been edited for clarity.

Datuk Chairman said that DXN Group had learned from previous IPO exercise where there was a decline in share price even though market was doing well. The share price dropped from RM0.80 per ordinary share (“**OS**”) to RM0.50 per OS. Following implementation of dividend policy and regular shareholder briefings, and share price rose to RM1.00 per OS.

In addition, he explained DXN’s decision to voluntarily delist back in 2011 citing challenges in consolidating financial statements and managing compliances across many jurisdictions and lack of personnel with relevant experiences. The then Board of Directors (“**Board**”) needed time to restructure internally by the recruitment of more experienced personnel and improving reporting structure to ease market expansion. Growth then and now has always been with full control from the head office and with no joint-venture.

Datuk Chairman remarked that the Group’s overseas members are always keen to invest in DXN and by extension, support the share prices. However, these overseas members could not directly send funds to invest as they are required to possess a Central Depository System (“**CDS**”) account in Malaysia. Following several rounds of discussions with corporate advisor, a trust account is being planned to facilitate investment by these overseas members by using their own money or deduct from monthly bonuses. There is about RM219 million of members’ bonus on the account in DXN Group which could be used by members to invest in DXN. While stressing that the participation by these overseas members would augur well for the Group, Datuk Chairman stressed that there is no intention to support the share price.

Datuk Chairman explained that one of the reasons for IPO was to allow members to invest in DXN and share in its growth. This opportunity is only available to members in Malaysia as overseas members are restricted due to the lack of CDS account in Malaysia. One key characteristic of DXN members is loyalty and investment in DXN would give them a sense of belonging to the Group. Membership is expected to multiply 10-fold in 10 years.

Datuk Chairman mentioned that more briefings would be carried out to share out news and updates on the Group.

The queries and response had been edited for clarity.

Q9 Lau Chee Boon | Proxy

He expressed confidence in management team which had demonstrated commitment to the business. What about the performance in the upcoming quarter as most investors will closely monitor DXN's profits, challenges, and the market outlook?

Answer:

The Group does not release profit guidance nor forecast.

The Unaudited Quarterly Report on consolidated results of the Group for the 1st financial quarter ended 31 May 2023 in respect of the financial year ending 28 February 2024 (“**Q1 FY2024 Quarterly Report**”) was announced to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on 28 July 2023. This set of Q1 FY2024 Quarterly Report showed a 17.6% spike up in top line compared to Q1 FY2023 with EBITDA and PATAMI in tandem. The consistency in financial performance thus far should augur well going forward.

Q10 Lau Chee Boon | Proxy

Some counters have secondary listings in Singapore. Why hasn't DXN considered such a move?

Answer:

Datuk Chairman shared that DXN was recently offered two (2) potential options for secondary listing: either in Singapore or United States of America. The corporate advisors had shared that secondary listing would ease participation by DXN overseas members.

However, it's premature to discuss this as this juncture, as DXN was just listed on the Main Board of Bursa Securities on 19 May 2023. Shareholders will be informed of any updates in due course.

Q11 Benjamin | Shareholder

DXN's last traded price was 70.5 sen. The price/earning ratio does not seemed to be convincing. What is the actual reason affecting share price?

Answer:

Mr. Teoh responded share price is very much affected by market sentiments and economic conditions. As mentioned earlier, the Group has good track record and has ventured, very successfully, abroad and is enjoying the fruits of its efforts with more overseas expansion to come. In time, he is hopeful that share price would rally to reflect the intrinsic value of DXN Group.

The queries and response had been edited for clarity.

Datuk Chairman remarked that price earnings (“PE”) ratio and share price are determined by market forces and not DXN. He is aware that share prices have been in the doldrum. He shared that participation by the DXN members might augur well for the market. As informed earlier, management is actively considering means to facilitate participation by DXN overseas members.

Q12 Benjamin | Shareholder

Is DXN Group primarily concentrated on foreign markets, local markets, or regional markets?

Answer:

Given the relatively small size of the Malaysian market and the challenges faced by MLM businesses locally, DXN Group’s plan (as shared earlier) is to venture into international markets.

Q13 Benjamin | Shareholder

The wildly fluctuating forex rates had affected market sentiment and economy. Will this cause a policy shift to foreign market?

Answer:

As with companies in international trade, forex fluctuations are norm. Forex risk is unavoidable and management is managing closely to minimise exposure. In response to a sudden 30% devaluation in Turkish Lira, DXN Group had increased pricing and then peg said pricing to United States Dollar.

Q14 Benjamin | Shareholder

Noted that the dividend is based on earnings. Is there a permanent dividend policy?

Answer:

DXN has no specific dividend policy. It is a historical norm to set aside 30% to 50% of its annual profit after tax for distribution to the shareholders.

As informed in the Prospectus, DXN targeted payout ratio of 30% to 50% of the profit attributable to the owners of the Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of DXN Group. The dividend payout ratio is guided by internal guidance and with dividend declared at the discretion of the Board after taking into consideration, among others, working capital, maintenance capital and committed capital requirements of the Group.

The queries and response had been edited for clarity.

Q15 Benjamin | Shareholder

He saw leaflets offering accommodation packages. Is this something new? A diversification?

Answer:

Datuk Chairman shared that the accommodating packages is from the lifestyle products range available to DXN's members. It also a form of DXN members' engagement programmes. He added that DXN Cyberville offers 150 apartments of various sizes for the use of members. While rejuvenating and resting, members could accumulate points from their stays. DXN Group planned to set-up more lifestyle hubs in Penang and Langkawi

Mr. Teoh explained that the accommodating packages is from the lifestyle products range available to DXN's members as part of DXN members engagement programme. The Group encourages members to join the lifestyle programme to enjoy themselves while also earning money. Plans are afoot to develop DXN Cyberville as a health center for members to visit and as hub members' engagements.

Q16 Chew Yoke Wah | Shareholder

Why didn't the Company provide door gifts to shareholders which is a good way to promote the Company's products? I am very disappointed.

Answer:

Datuk Chairman shared that it is the practice of the Group not to offer any gifts.

However, in recognition of the efforts of the shareholders to attend this AGM, management has prepared goodie bags for distribution to shareholders on leaving this meeting venue. This had been announced at the start of today's proceedings.

Q17 Tan Tiak Kun | Shareholder

Hope that the Company will take action concerning Resolution 8, which pertains to the proposed authority for the company to buy back its own shares as this resolution has been presented for shareholders' approval.

Answer:

The Board took note of the comment. It must be noted that any share buy-back effort would only be implemented after due consideration of various factors.

Note:

"DXN" or "the Company" refers to DXN Holdings Bhd.

"DXN Group" or "the Group" refers to DXN and its subsidiaries, collectively