

DXN HOLDINGS BHD
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 30 November 2004

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of DXN Holdings Bhd for the year ended 29 February 2004.

The accounting policies and methods of computation adopted by DXN Holdings Bhd, its subsidiaries and associated company ("the Group") in this interim financial report are consistent with those adopted in the financial statements for the year ended 29 February 2004.

2. Auditors' qualification

There were no qualification on the audit report of the preceding annual financial statements of DXN Holdings Bhd.

3. Seasonality or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors.

4. Exceptional and extraordinary items

There were no material exceptional and extraordinary items for the period under review.

5. Change in estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

6. Change in debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debts and equity securities for the current financial quarter to date.

7. Dividends paid

The final dividend of 5% less 28% tax per share amounting to RM2.164 million in respect of the financial year ended 29 February 2004 was paid on 28 September 2004.

8. Segment revenue and results

No segmental information by business activities has been prepared as the Group's operations are mainly confined to one business segment only.

9. Valuation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The valuations of land and building have been brought forward without amendment from the previous annual report.

10. Material post balance sheet events

There were no material post balance sheet events subsequent to the period under review.

11. Changes in Group's composition

There were no changes in the composition of the Group for the current financial year to date other than DXN Holdings Berhad, had in December 2004 invested RM6.84 million (USD1.8 million) in the capital of Daxen Biotechnology Pte Ltd, a subsidiary company incorporated in China. This announcement was made by the Company on 29 November 2004.

12. Changes in contingent liabilities and assets

There were no contingent liabilities and assets throughout the period.

13. Review of performance of the Company and its principal subsidiaries for the current quarter and year-to-date

The year-to-date Revenue and Profit Before Tax ("PBT") of the Group amounted to RM129.9 million and RM21.8 million respectively. For current quarter ended 30 November 2004, the Group recorded RM45.8 million revenue represented an increase of 46.1% as compared to the corresponding quarter ended 30 November 2003. The increase in sales are mainly generated by Philippines and Malaysian subsidiaries.

Likewise, the Group also achieved a higher PBT of RM6.8 million for the current quarter ended 30 November 2004 as compared to the corresponding quarter ended 30 Nov 2003 of RM6.2 million. However, the Group's PBT showed a lower margin of 14.9% in current quarter compared to 19.6% in corresponding quarter ended 30 November 2003. This was mainly due to a higher percentage of sales in the current quarter being generated from subsidiaries principally involved in trading and distribution of health food supplements, beverages and household products that attracted a lower profit margin as well as a decrease in sales of RG/GL raw materials powder compared to corresponding quarter.

14. Variation of results against preceding quarter

The Group reported a higher operating revenue of RM45.8 million in quarter ended 30 November 2004 as compared to RM43.0 million in preceding quarter ended 31 August 2004. The Group's PBT for the quarter under review was RM6.8 million and was lower than preceding quarter of RM7.6 million. The Group's PBT margin was also decreased from 17.6% in preceding quarter ended 31 August 2004 as compared to 14.9% in current quarter ended 30 November 2004. This was due to a higher percentage of sales in the current quarter being derived from subsidiaries principally involved in trading and distribution of health food supplements, beverages and household products that attracted a lower profit margin. Furthermore, there is an increase in sales promotion expenses and staff bonuses in the current quarter.

15. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 28 February 2005 to remain satisfactory.

16. Variance of profit forecast

Not applicable for this reporting.

17. Tax expense

	Current year quarter ended 30 Nov 2004 RM'000	Current year Todate 30 Nov 2004 RM'000
Current tax expense		
- Based on results for the period	1,179	3,889
Deferred tax expense	207	510
	1,386	4,399

The Group's effective tax rate is lower than the prima facie tax rate mainly due to a subsidiary been granted pioneer status in principle for which, part of the income derived is exempted from income tax and the lower tax rates applicable to certain foreign subsidiaries.

18. Profit/(Loss) on sale of unquoted investments and/or properties for current quarter and financial year-to-date

There were no sale of investments and properties for the current quarter under review.

19. Purchase or disposal of quoted securities

There were no purchases or disposals of quoted securities for the current quarter under review.

Investments in quoted securities as at 30 Nov 2004

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	1,401	1,288	1,318

20. Status of corporate proposals

There are no corporate proposals announced but not completed as at the date of this announcement. The utilisation of proceeds arising from Initial Public Offering are as follows:

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000	Notes
Repayment of bank borrowings	5,654	5,654	-	
Acquisition of corporate headquarter	3,000	2,107	893	I
Construction of factory building	3,500	3,135	365	II
Acquisition of plant and machinery	1,000	52	948	III
Share issue expenses	2,500	2,624	(124)	IV
Working capital	12,979	12,979	-	
	28,633	26,551	2,082	

20. Status of corporate proposals (Cont'd)

The announcement for the extension of time for an additional period of 12 months to 31 December 2005 was made on 31 December 2004.

I) The delay in completion of the corporate headquarters, which was originally scheduled to be in June 2004, is mainly due to additional time spent in obtaining the relevant approvals from local authorities. Barring unforeseen circumstances, the completion date is expected to be in the fourth quarter of 2005.

II) The proceeds of RM3.5million was allocated to DXN Industries (M) Sdn. Bhd. (DISB), a wholly-owned subsidiary of DXN, for the construction of a new coffee factory building. The construction is currently under progress and is tentatively expected to be completed and ready for production by second quarter of 2005.

III) As at 22nd December 2004, RM52,000 has been utilised to purchase the plant and machinery for DISB's new coffee factory. The balance of the proceeds is expected to be fully utilised by 31 December 2005 in conjunction with the completion of the DISB factory building.

IV) The variance of RM124,000 in the amount utilised for share issue expenses was mainly due to the actual listing advertisement expenses exceeded the estimated amount. The RM124,000 was financed by internally generated funds.

21. Group borrowings and debts securities

	30 Nov 2004 RM'000
Current	
Secured	
- Ringgit Malaysia	5,110
- Foreign Currencies	-
	<u>5,110</u>
Non-current	
Secured	
- Ringgit Malaysia	1,797
- Foreign Currencies	1,790
	<u>3,587</u>
Foreign Currencies	
Non-current	<u>Rs 21,261,303</u>
Exchange rate used RM1 = Rs11.88	

22. Off balance sheet financial instruments

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments.

23. Changes in material litigation

The Group was not engaged in any material litigation for the current financial period.

24. Proposed dividend

The directors had decided to recommend an interim dividend of 3% less 28% tax for the current quarter under review and current financial year-to-date. (Previous corresponding quarter ended 30 November 2003: 3% less 28% tax). The dividend will be paid at the date to be determined later.

25. Earnings per share

The calculation of earnings per share for the current quarter and corresponding quarter preceding year are based on the net profit attributable to ordinary shareholders of RM5,422,000 and RM4,810,000 respectively.

Basic earnings per share**Weighted average number of ordinary shares**

	Current year quarter ended 30 Nov 2004 '000	Preceding year quarter ended 30 Nov 2003 '000
Issued ordinary shares at beginning of the period	240,322	143,066
Public issue		6,813
Effect of shares issued during the period	63	-
Weighted average number of ordinary shares	<u>240,385</u>	<u>149,879</u>

Diluted earnings per share**Weighted average number of ordinary shares**

	Current year quarter ended 30 Nov 2004 '000	Preceding year quarter ended 30 Nov 2003 '000
Weighted average number of ordinary shares	240,385	-
Effect of ESOS	547	-
Weighted average number of ordinary shares	<u>240,932</u>	<u>-</u>

26. Capital commitments

	30 Nov 2004 RM'000
Contracted but not provided for	2,662
Approved but not contracted for	<u>1,357</u>

27. Related party transactions

There were no non-recurring related party transactions during the period under review.

BY ORDER OF THE BOARD**Lam Voon Kean**

Company Secretary

Dated this 20 January 2005