

DXN HOLDINGS BHD
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 28 February 2005

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, 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

For current quarter ended 28 February 2005, there was a total of 129,000 new ordinary shares of RM0.25 each were issued at an issue price of RM0.82 (115,000 of ordinary shares) and RM0.85 (14,000 of ordinary shares) respectively, fully subscribed and paid up, under the Executive Share Option Scheme.

As a result, there were 702,000 ordinary shares has been issued during the financial year ended 28 February 2005.

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.

The interim dividend of 3% less 28% tax per share amounting to RM1.300 million in respect of the financial year ended 28 February 2005 was paid on 03 March 2005.

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 other than : -

i) DXN Holdings Berhad, had in December 2004 invested RM6.84 million (USD1.8 million) in the share capital of Daxen Biotechnology Pte Ltd, a subsidiary company incorporated in China. This announcement was made by the Company on 29 November 2004.

ii) DXN Holdings Berhad, had in March 2005 incorporated Daxen (NZ) Ltd, a subsidiary company in New Zealand, with paid up capital of NZD 1.00. This announcement was made by the Company on 28 February 2005.

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 RM172.9 million and RM27.9 million respectively. For current quarter ended 28 February 2005, the Group recorded RM43.0 million revenue representing an increase of 14.9% as compared to the corresponding quarter ended 29 February 2004. The increase in sales are mainly generated by Philippines, USA and Malaysian subsidiaries.

Likewise, the Group also achieved a higher PBT of RM6.1 million for the current quarter ended 28 February 2005 as compared to the corresponding quarter ended 29 February 2004 of RM5.6 million. The Group's PBT marginally reduce at margin of 14.1% in current quarter compared to 14.8% in corresponding quarter ended 29 February 2004.

14. Variation of results against preceding quarter

The Group reported a lower operating revenue of RM43.0 million in quarter ended 28 February 2005 as compared to RM45.8 million in preceding quarter ended 30 November 2004. The Group's PBT for the quarter under review was RM6.1 million and was marginally lower than preceding quarter of RM6.8 million. The Group's PBT margin was also marginally reduce from 14.9% in preceding quarter ended 30 November 2004 as compared to 14.1% in current quarter ended 28 February 2005.

15. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 28 February 2006 to remain satisfactory.

16. Variance of profit forecast

Not applicable for this reporting.

17. Tax expense

	Current year quarter ended 28 Feb 2005 RM'000	Current year Todate 28 Feb 2005 RM'000
Current tax expense		
- Based on results for the period	582	4,471
- Under-provision in respect of prior period/year	26	26
Deferred tax expense	866	1,376
	1,474	5,873

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 28 Feb 2005

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	1,401	1,274	1,373

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	2,220	780	I
Construction of factory building	3,500	3,199	301	II
Acquisition of plant and machinery	1,000	317	683	III
Share issue expenses	2,500	2,624	(124)	IV
Working capital	12,979	12,979	-	
	28,633	26,993	1,640	

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 relevant approvals from local authorities have been obtained in February 2005 and the remaining of unutilised proceeds is mainly for the subsequent renovation work. Barring unforeseen circumstances, the completion date is expected to be by the end of calendar year 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 middle of calendar year 2005.

III) As at 28th February 2005, RM317,000 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.

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

21. Group borrowings and debts securities

	28 Feb 2005 RM'000
Current	
Secured	
- Ringgit Malaysia	4,872
- Foreign Currencies	-
	4,872
Non-current	
Secured	
- Ringgit Malaysia	1,875
- Foreign Currencies	-
	1,875

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

Subject to shareholders' approval, the directors proposed a final dividend of 5% less 28% tax in respect of the year ended 28 February 2005. (Previous year ended 29 February 2004 : 5% less 28% tax)

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 RM4,586,000 and RM5,379,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 28 Feb 2005 '000	Preceding year quarter ended 29 Feb 2004 '000
Issued ordinary shares at beginning of the period	240,625	240,000
Effect of shares issued during the period	79	1
Weighted average number of ordinary shares	<u>240,704</u>	<u>240,001</u>

Diluted earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 28 Feb 2005 '000	Preceding year quarter ended 29 Feb 2004 '000
Weighted average number of ordinary shares	240,704	240,001
Effect of ESOS	224	386
Weighted average number of ordinary shares	<u>240,928</u>	<u>240,387</u>

26. Capital commitments

	28 Feb 2005 RM'000
Contracted but not provided for	3,088
Approved but not contracted for	<u>1,307</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 April 2005