

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 31 May 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 audited financial statements of DXN Holdings Bhd for the year ended 28 February 2005.

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 28 February 2005.

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 31 May 2005, 10,000 new ordinary shares of RM0.25 each were issued at the issue price of RM0.85 per ordinary share, fully subscribed and paid up, under the Executive Share Option Scheme of the Company.

As a result, there were 10,000 ordinary shares issued to-date for the financial year ending 28 February 2006.

7. Dividends paid

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

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 audited financial statements.

10. Material post balance sheet events

There were no material post balance sheet events subsequent to the end of the current interim period.

11. Changes in Group's composition

There were no changes in the composition of the Group for the current financial period other than the below: -

i) DXN Holdings Bhd. had in March 2005 incorporated a wholly-owned subsidiary in New Zealand, Daxen (NZ) Ltd., through its wholly-owned subsidiary, DXN International Holding Limited. The authorized and paid up share capital of Daxen (NZ) Ltd. is NZD100,000 and NZD1.00 respectively; and

ii) DXN Holdings Bhd. entered into a Share Sale Agreement with Mr. Chee Boon Sin on 16 May 2005 to dispose of its entire equity interest representing 100,000 ordinary share, in Reach Star Cash & Carry Sdn Bhd (Co. No. 553530-W), a wholly-owned subsidiary, for a total cash consideration of RM300,000.

12. Changes in contingent liabilities and assets

There were no contingent liabilities and assets applicable to the Group.

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

The Group recorded RM49.0 million revenue for current quarter ended 31 May 2005, representing an increase of 19.2% as compared to RM41.1 million in the corresponding quarter ended 31 May 2004. The increase in revenue is mainly due to the higher sales recorded by the Philippines, USA and Malaysian subsidiaries.

As a result of the increased revenue, the Group also achieved a higher profit before tax ("PBT") of RM8.9 million for the current quarter ended 31 May 2005 as compared to the corresponding quarter ended 31 May 2004 of RM7.5 million. However, the Group's PBT margin maintained at 18.2% in the current quarter ended 31 May 2005 as compared to the corresponding quarter ended 31 May 2004.

14. Variation of results against preceding quarter

The Group reported a higher revenue of RM49.0 million in the current quarter ended 31 May 2005 as compared to RM43.0 million in the preceding quarter ended 28 February 2005. The Group's PBT for the quarter under review was RM8.9 million as compared to preceding quarter of RM6.1 million. The Group's PBT margin increased from 14.1% in preceding quarter ended 28 February 2005 to 18.2% in current quarter ended 31 May 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 31 May 2005 RM'000	Current year to date 31 May 2005 RM'000
Current tax expense		
- Based on results for the period	1,627	1,627
Deferred tax expense	18	18
	<u>1,645</u>	<u>1,645</u>

The Group's effective tax rate is lower than the prima facie tax rate mainly due to a subsidiary being granted pioneer status 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 unquoted 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 31 May 2005

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	<u>1,401</u>	<u>1,274</u>	<u>1,393</u>

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	3,233	267	II
Acquisition of plant and machinery	1,000	591	409	III
Share issue expenses	2,500	2,624	(124)	IV
Working capital	12,979	12,979	-	
	<u>28,633</u>	<u>27,301</u>	<u>1,332</u>	

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 certificate of fitness for the buildings 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 RM3.5 million 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 building was completed on June 2005 but the final retention sum of the contract will only be released by the end of calendar year 2005.

III) As at 31st May 2005, RM591,000 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 end of calendar year 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

	31 May 2005 RM'000
Current	
Secured	
- Ringgit Malaysia	4,063
- Foreign Currencies	-
	<hr/>
	4,063
	<hr/>
Non-current	
Secured	
- Ringgit Malaysia	2,214
- Foreign Currencies	-
	<hr/>
	2,214
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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 the 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 RM7,280,000 and RM5,941,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 31 May 2005 '000	Preceding year quarter ended 31 May 2004 '000
Issued ordinary shares at beginning of the period	240,754	240,053
Effect of shares issued during the period	9	217
Weighted average number of ordinary shares	<u>240,763</u>	<u>240,270</u>

Diluted earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 31 May 2005 '000	Preceding year quarter ended 31 May 2004 '000
Weighted average number of ordinary shares	240,763	240,270
Effect of ESOS	-	86
Weighted average number of ordinary shares	<u>240,763</u>	<u>240,356</u>

As the effects of ESOS are anti-dilutive, therefore the calculations of diluted earnings per share are ignored for the current quarter ended 31 May 2005.

26. Capital commitments

	31 May 2005 RM'000
Contracted but not provided for	16,942
Approved but not contracted for	<u>780</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 July 2005