

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 31 August 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 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 August 2005, there were no issuance of any new ordinary shares under the Executive Share Option Scheme of the Company.

However, 10,000 ordinary shares have been 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 RM1.300 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 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 NZD100,000.00 and NZD1.00 respectively;

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 shares, in Reach Star Cash & Carry Sdn Bhd (Co. No. 553530-W), a wholly-owned subsidiary, for a total cash consideration of RM300,000.00;

iii) DXN Holdings Bhd. had on 8 August 2005 acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of Auto Ridge Sdn. Bhd. (Co. No. 668231-V) for a total cash consideration of RM2.00; and

iv) DXN Holdings Bhd. had on 12 October 2005 through its wholly-owned subsidiary, DXN Land Sdn Bhd (Formerly known as DXN (KL) Sdn Bhd), acquired 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of Richmond Sapphire Sdn. Bhd. (Co. No. 623378-X) for a total cash consideration of RM1,500,000.00.

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 RM46.3 million revenue for current quarter ended 31 August 2005, representing an increase of 7.7% as compared to RM43 million in the corresponding quarter ended 31 August 2004. The increase in revenue is mainly due to the higher sales recorded by the Philippines, USA and Malaysian subsidiaries.

However, the Group recorded a lower profit before tax ("PBT") of RM7.1 million for the current quarter ended 31 August 2005 as compared to the corresponding quarter ended 31 August 2004 of RM7.6 million. As a result, the Group's PBT margin decreased from 17.6% in the corresponding quarter ended 31 August 2004 to 15.4% in current quarter ended 31 August 2005. This was mainly due to the impact of the unpegging of Ringgit Malaysia against the US Dollars resulting in a higher foreign exchange loss.

14. Variation of results against preceding quarter

The Group reported a lower revenue of RM46.3 million in the current quarter ended 31 August 2005 as compared to RM49.0 million in the preceding quarter ended 31 May 2005. The Group's PBT for the quarter under review was RM7.1 million as compared to preceding quarter of RM8.9 million. The Group's PBT margin decreased from 18.2% in preceding quarter ended 31 May 2005 to 15.4% in current quarter ended 31 August 2005. This was mainly due to higher foreign exchange loss, increase in marketing and promotion expenses as well as increase in administrative and operating cost.

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 August 2005 RM'000	Current year todate 31 August 2005 RM'000
Current tax expense		
- Based on results for the period	1,246	2,873
Deferred tax expense	50	68
	<u>1,296</u>	<u>2,941</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 purchase or disposal of quoted securities for the current quarter under review.

Investments in quoted securities as at 31 August 2005

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	<u>1,401</u>	<u>1,274</u>	<u>1,367</u>

20. Status of corporate proposals

(a) There are no corporate proposals announced but not completed as at the date of this announcement except for:-

i) The proposed incorporation of a wholly-owned subsidiary in Nepal, DXN International (Nepal) Pte. Ltd. ("DINPL"). The authorized and paid up share capital of DINPL is NPR60,000,000.00 (equivalent to RM3,098,693) and NPR7,000,000.00 (equivalent to RM361,514) respectively. Announcement on the above incorporation was made by the Company on 20 September 2005.

(b) 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	2,265	735	I
Construction of factory building	3,500	3,244	256	II
Acquisition of plant and machinery	1,000	1,000	-	III
Share issue expenses	2,500	2,624	(124)	IV
Working capital	12,979	12,979	-	
	<u>28,633</u>	<u>27,766</u>	<u>867</u>	

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 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 31 August 2005, the full proceed has been utilised to purchase 6 units of the filling machines and part finance the automated mixer for DISB's new coffee factory.

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 August 2005 RM'000
Current	
Secured	
- Ringgit Malaysia	5,759
- Foreign Currencies	-
	<u>5,759</u>
Non-current	
Secured	
- Ringgit Malaysia	3,802
- Foreign Currencies	-
	<u>3,802</u>

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

No dividend was proposed for the current quarter ended 31 August 2005.

At the Annual General Meeting held on 18 August 2005, the shareholders approved a final dividend of 5% less 28% income tax of approximately RM 2.156 million in respect of the financial year ended 28 February 2005. The dividend was paid on 10 October 2005.

The dividend is accounted for in the shareholders' equity as an appropriation of retained profits in the current quarter ended 31 August 2005.

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 RM5,853,000 and RM6,087,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 31 August 2005 '000	Preceding year quarter ended 31 August 2004 '000
Issued ordinary shares at beginning of the period	240,764	240,347
Effect of shares issued during the period	-	-
Weighted average number of ordinary shares	<u>240,764</u>	<u>240,347</u>

Diluted earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 31 August 2005 '000	Preceding year quarter ended 31 August 2004 '000
Weighted average number of ordinary shares	240,764	240,347
Effect of ESOS	-	208
Weighted average number of ordinary shares	<u>240,764</u>	<u>240,555</u>

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

26. Capital commitments

31 August 2005
RM'000

Contracted but not provided for

14,497

Approved but not contracted for

780

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 October 2005