

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

i) Issuance of Shares

For current quarter ended 30 November 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.

ii) Share Buy Back

During this current quarter ended 30 November 2005, the Company repurchased 2,200,500 unit of its issued share capital from the open market for a total cash consideration of RM 1,622,533 and it was financed by internally generated funds.

The shares repurchased are being held as treasury shares in accordance with Section 67A subsection 3C of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the quarter.

7. Dividends paid

The final dividend of 5% less 28% tax per share amounting to RM2.156 million in respect of the financial year ended 28 February 2005 was paid on 10 October 2005.

8. Segment revenue and results

The group is principally involved in cultivation, manufacturing of the health food supplements and marketing the product through the Multi Level Marketing. Business segmental information has not been prepared as the Group's revenue and operating profit 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;

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 ;

v) DXN Holdings Bhd. had on 20 December 2005 incorporated a wholly-owned subsidiary in Nepal, Daxen International (Nepal) Pvt. Ltd. The authorized and initial paid up share capital of Daxen International (Nepal) Pvt. Ltd. is NPR60,000,000.00 (equivalent to RM3,098,693.00) and NPR100.00 (equivalent to RM5.16) respectively;

vi) DXN Holdings Bhd. had on 29 December 2005 acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of Gita Seni Sdn. Bhd. (Co. No. 715786-K) for a total cash consideration of RM2.00; and

vii) DXN Holdings Bhd. had on 18 January 2006 acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of Future Nutri Sdn. Bhd. (Co. No. 710366-A) for a total cash consideration of RM2.00.

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 RM43.7 million revenue for current quarter ended 30 November 2005, representing a decrease of 4.6% as compared to RM45.8 million in the corresponding quarter ended 30 November 2004. The decrease in revenue is mainly due to the lower sales recorded by Malaysian subsidiaries in the current quarter.

The Group recorded a lower profit before tax ("PBT") of RM5.7 million for the current quarter ended 30 November 2005 as compared to the corresponding quarter ended 30 November 2004 of RM6.8 million. The Group's PBT margin decreased from 14.9% in the corresponding quarter ended 30 November 2004 to 12.9% in current quarter ended 30 November 2005. This was mainly due to increase in finance cost as higher bank interest was accrued.

14. Variation of results against preceding quarter

The Group reported a lower revenue of RM43.7 million in the current quarter ended 30 November 2005 as compared to RM46.3 million in the preceding quarter ended 31 August 2005. The Group's PBT for the quarter under review is RM 5.7 million as compared to preceding quarter of RM 7.1 million. The Group's PBT margin decreased from 15.4% in preceding quarter ended 31 August 2005 to 12.9% in current quarter ended 30 November 2005. This was mainly due to slight decline in sales and higher finance cost incurred 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 2006 to remain satisfactory.

16. Variance of profit forecast

Not applicable for this reporting.

17. Tax expense

	Current year quarter ended 30 November 2005 RM'000	Current year todate 30 November 2005 RM'000
Current tax expense		
- Based on results for the period	1,007	3,880
Deferred tax expense	227	295
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	1,234	4,175

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 30 November 2005

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	1,401	1,274	1,426

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 Company proposed to acquire 100 ordinary shares of A\$ 1.00 each, representing the entire issued and paid-up share capital of DXN International (Australia) Pty. Limited for a total cash consideration of RM 718,657.00, through its wholly owned subsidiary, DXN International Holding Limited. Announcement on the above acquisition was made by the Company on 12 December 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	3,323	177	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	-	
	28,633	27,845	788	

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 amount of RM2,265,000 has been utilised for the acquisition of corporate headquarter and the remaining proceeds of RM735,000 will be utilised for working capital requirement.

II) The proceeds of RM3,500,000 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 amount of RM3,323,000 has been utilised for the said project and the remaining proceeds of RM177,000 will be utilised for working capital requirement.

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

	30 November 2005 RM'000
Current	
Secured	
- Ringgit Malaysia	4,425
- Foreign Currencies	-
	<u>4,425</u>
Non-current	
Secured	
- Ringgit Malaysia	53,583
- Foreign Currencies	-
	<u>53,583</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

The directors had decided to recommend an interim dividend of 5% less 28% tax for the current quarter under review and current financial year-to-date. (Previous corresponding quarter ended 30 November 2004: 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 RM 4,419,000 and RM5,422,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 30 Nov 2005 '000	Preceding year quarter ended 30 Nov 2004 '000
Issued ordinary shares at beginning of the period	240,764	240,052
Effect of shares issued during the period	-	487
Effect of shares buy-back during the period	(1,757)	-
Weighted average number of ordinary shares	<u>239,007</u>	<u>240,539</u>

Diluted earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 30 Nov 2005 '000	Preceding year quarter ended 30 Nov 2004 '000
Weighted average number of ordinary shares	239,007	240,539
Effect of ESOS	-	547
Weighted average number of ordinary shares	<u>239,007</u>	<u>241,086</u>

As the effects of ESOS are anti-dilutive, therefore the calculation of diluted earnings per share is ignored for the current quarter ended 30 November 2005.

26. Capital commitments

30 November 2005
RM'000

Contracted but not provided for

11,395

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 January 2006