

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 28 February 2006

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 28 February 2006, 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 ended 28 February 2006.

ii) Share Buy Back

For current quarter ended 28 February 2006, the Company repurchased 582,200 shares from the open market for a total cash consideration of RM340,265.83.

However, 2,782,700 shares with the total cash consideration of RM1,962,698.85 have been repurchased to-date for the financial year ended 28 February 2006 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.

6. Change in debt and equity securities (Cont'd)

iii) ESOS

As at to date, all the ESOS option holders has surrendered their exercise rights to the company.

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.

The interim dividend of 5% less 28% tax per share amounting to RM2.142 million in respect of the financial year ended 28 February 2006 was paid on 21 March 2006.

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 year other than below:
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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 ;

11. Changes in Group's composition (Cont'd)

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;

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;

viii) DXN Holdings Bhd. had on 23 January 2006 through its wholly-owned subsidiary, DXN International Holding Limited, acquired 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;

ix) DXN Holdings Bhd. had on 26 January 2006 through its wholly-owned subsidiary, Future Nutri Sdn. Bhd. ("FNSB"), entered into a shareholders' agreement, and a subscription and founders' agreement (collectively the "SSFA") with Green Diesel Corporation ("GDC"), a company incorporated under the laws of Florida, United States of America, for the purpose of setting-up a joint venture company known as Ewin Resources Sdn. Bhd. ("ERSB") (Co. No. 720684-D). Pursuant to the SSFA, FNSB shall subscribe for 1,250,000 new ordinary shares of RM1.00 each in ERSB at par, representing 50% of the enlarged issued and fully paid-up share capital of ERSB, and 1,000 redeemable cumulative preference shares of RM1.00 each in ERSB ("ERSB RPS") at the subscription price of RM21,430 per ERSB RPS, for a total subscription amount of RM22,680,000. An information circular has been sent to all the shareholders on 17 March 2006; and

x) DXN Holdings Bhd. had on 8 February 2006 through its wholly-owned subsidiary, Future Nutri Sdn. Bhd., acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of LG Solar Master Sdn. Bhd. (Co. No. 716706-H) for a total cash consideration of RM2.00.

12. Changes in contingent liabilities and assets

DXN Herbal Manufacturing (India) Pvt. Ltd. ("DXN Herbal"), a wholly-owned sub-subsiary of DXN Holdings Bhd. in India, had on 10 February 2006 received 2 notices of demand for a total amount of RM4,440,446 from the Commissioner of Income Tax, Pondicherry, in relation to the dispute of the Company tax holiday status.

The company is appealing on the issue to the Commissioner of Income Tax, Pondicherry. Other than the status of the contingent liabilities as disclosed above, there were no other 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 year-to-date Revenue and Profit Before Tax ("PBT") of the Group amounted to RM182.2 million and RM27.4 million respectively. The Group recorded RM43.2 million revenue for current quarter ended 28 February 2006, representing a marginally increase of 0.34% as compared to RM43.0 million in the corresponding quarter ended 28 February 2005. The slightly increase in revenue is mainly due to the higher sales recorded by Philippines subsidiary in the current quarter.

13. Review of performance of the Company and its principal subsidiaries for the current quarter and year-to-date (Cont'd)

The Group recorded a lower profit before tax ("PBT") of RM5.7 million for the current quarter ended 28 February 2006 as compared to the corresponding quarter ended 28 February 2005 of RM6.1 million. The Group's PBT margin decreased from 14.1% in the corresponding quarter ended 28 February 2005 to 13.2% in current quarter ended 28 February 2006.

14. Variation of results against preceding quarter

The Group reported a lower revenue of RM43.2 million in the current quarter ended 28 February 2006 as compared to RM43.7 million in the preceding quarter ended 30 November 2005. However, the Group's PBT for the quarter under review remained at RM5.7 million as compared to preceding quarter of RM 5.7 million. The Group's PBT margin increased from 12.9% in preceding quarter ended 30 November 2005 to 13.2% in current quarter ended 28 February 2006.

15. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 28 February 2007 to remain satisfactory.

16. Variance of profit forecast

Not applicable for this reporting.

17. Tax expense

	Current year quarter ended 28 February 2006 RM'000	Current year todate 28 February 2006 RM'000
Current tax expense		
- Based on results for the period	2,535	6,415
Deferred tax expense	(535)	(240)
	<u>2,000</u>	<u>6,175</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

i) Total purchase and sales of quoted securities for the current quarter ended 28 February 2006 are as follows:-

	Current year quarter ended 28 February 2006 RM'000	Current year todate 28 February 2006 RM'000
Purchases	-	-
Disposal	(1,358)	(1,358)
Gain on Disposal	284	284
Loss on Disposal	-	-

ii) Investments in quoted securities as at 28 February 2006

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	206	73	73

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 incorporate a subsidiary in Dominican Republic, known as Daxen Inc. Dominicana, S.A. (DIDSA), through its wholly owned-subsiary in USA, Daxen Inc. (DAXEN). The proposed authorised and paid-up share capital of DIDSA will be RD500,000.00 (equivalent to RM59,608.97) divided into 500 ordinary shares of RD1,000.00 each. The proposed equity structure would be DAXEN holding 488 ordinary share of RD1,000.00 (equivalent to RM119.22) each in DIDSA, representing 97.6% for a total cash consideration of RD488,000.00 (equivalent to RM58,178.35), and the remaining 2.4% shareholding will be held in equal proportion by Dato' Dr. Lim Siow Jin; Datin Leong Bee Ling; Mr. Lim Boon Yee; Miss LimYew Lin; Mr. Poo Ah An and Mr. Lee Chew Khim, respectively owned 0.4% of the share equity, of which representing 2 ordinary share of RD1,000.00 each. Announcement on the above proposal was made by the Company on 6 April 2006.

21. Group borrowings and debts securities

	28 February 2006 RM'000
Current	
Secured	
- Ringgit Malaysia	4,455
- Foreign Currencies	-
	<u>4,455</u>
Non-current	
Secured	
- Ringgit Malaysia	54,578
- Foreign Currencies	-
	<u>54,578</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

Subject to shareholders' approval, the directors proposed a final dividend of 5% less 28% tax in respect of the year ended 28 February 2006. (Previous year ended 28 February 2005 : 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 RM3,708,000 and RM4,586,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 28 Feb 2006 '000	Preceding year quarter ended 28 Feb 2005 '000
Issued ordinary shares at beginning of the period	238,564	240,625
Effect of shares issued during the period	-	79
Effect of shares buy-back during the period	(474)	-
Weighted average number of ordinary shares	<u>238,090</u>	<u>240,704</u>

Diluted earnings per share

Weighted average number of ordinary shares

	Current year quarter ended 28 Feb 2006 '000	Preceding year quarter ended 28 Feb 2005 '000
Weighted average number of ordinary shares	238,090	240,704
Effect of ESOS	-	224
Weighted average number of ordinary shares	<u>238,090</u>	<u>240,928</u>

As the effects of ESOS are anti-dilutive, therefore the calculation of diluted earnings per share is ignored for the current quarter ended 28 February 2006.

26. Capital commitments

	28 February 2006 RM'000
Contracted but not provided for	42,720
Approved but not contracted for	<u>-</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 24 April 2006