



DXN Holdings Bhd.
(No. 363120-V)



Annual Report
2005

DXN Business Strategy

One World One Market

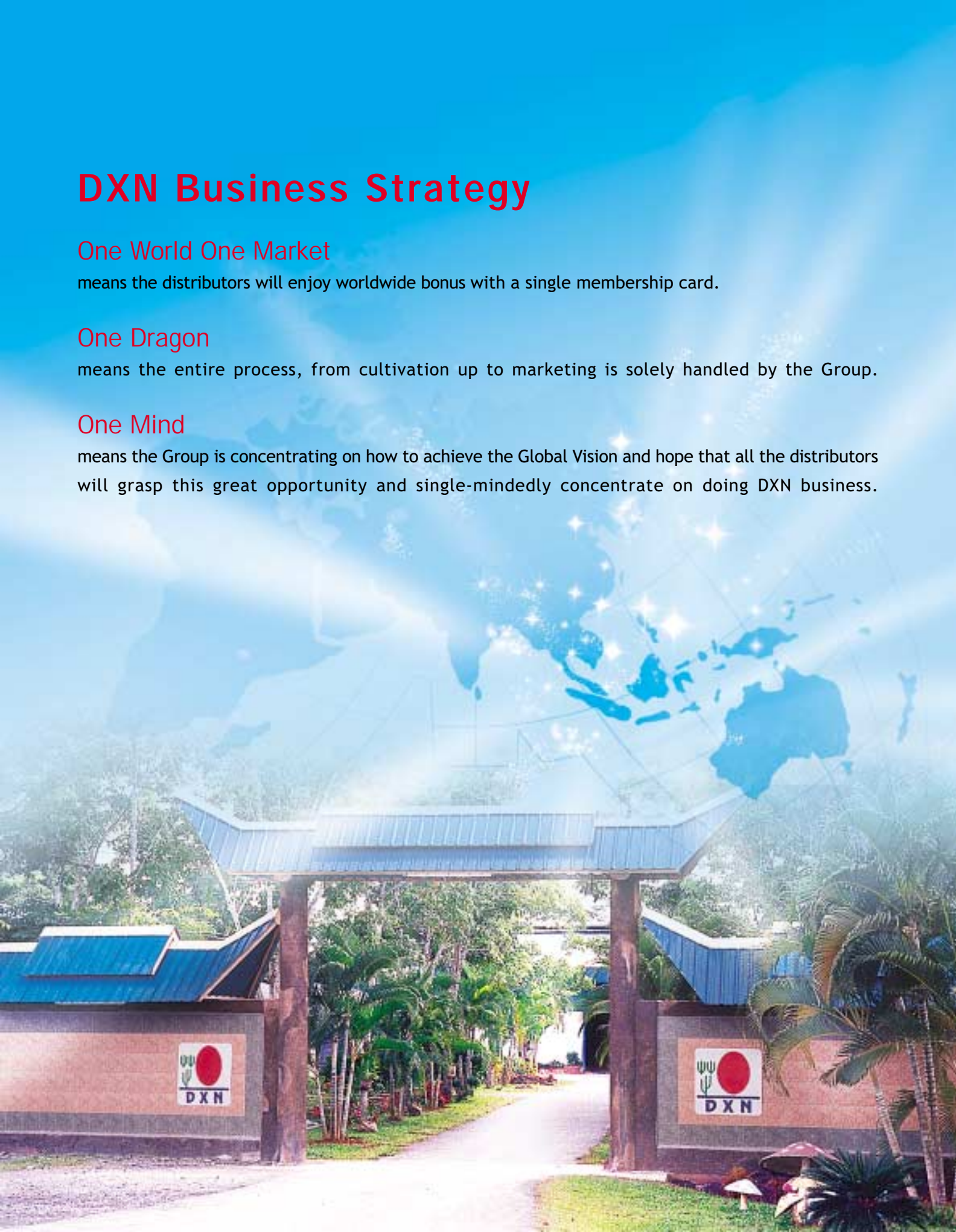
means the distributors will enjoy worldwide bonus with a single membership card.

One Dragon

means the entire process, from cultivation up to marketing is solely handled by the Group.

One Mind

means the Group is concentrating on how to achieve the Global Vision and hope that all the distributors will grasp this great opportunity and single-mindedly concentrate on doing DXN business.



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2 Our Achievement





Corporate Information

Board of Directors

Dato' Dr. Lim Siow Jin
Executive Chairman/CEO

Lim Boon Yee
Managing Director

Lim Yew Lin
Executive Director

Datin Leong Bee Ling
Non-Independent Non-Executive Director

Dato' Seri Tunku Abdul Hamid Thani Ibni
Almarhum Sultan Badlishah
Independent Non-Executive Director

Tengku Farith bin Rithauddeen
Non-Independent Non-Executive Director

Ooi Soo Kok
Independent Non-Executive Director

Poo Ah An
Independent Non-Executive Director

Audit Committee

Chairman
Ooi Soo Kok

Members
Lim Yew Lin
Poo Ah An

Nominating Committee

Chairman
Dato' Seri Tunku Abdul Hamid Thani Ibni
Almarhum Sultan Badlishah

Members
Poo Ah An

Remuneration Committee

Chairman
Poo Ah An

Members
Dato' Seri Tunku Abdul Hamid Thani Ibni
Almarhum Sultan Badlishah
Lim Boon Yee

Company Secretary

Lam Voon Kean (MIA 4793)

Registered Office

Suite 2-1, 2nd Floor
Menara Penang Garden
42-A, Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04 229 4390
Fax: 04 226 5860

Head Office

Wisma DXN
213 Lebuhraya Sultan Abdul Halim
05400 Alor Star Kedah Darul Aman
Tel: 04 772 3388
Fax: 04 772 1188
Website: www.dxn2u.com

Principal Bankers

United Overseas Bank (Malaysia) Berhad
(Company No.: 271809-K)
449, Jalan Raja, 05000 Alor Star
Kedah Darul Aman

OCBC Bank (Malaysia) Berhad
(Company No.: 295400-W)
380, Jalan Raja, 05000 Alor Star
Kedah Darul Aman

Malayan Banking Berhad
(Company No.: 3813-K)
1535, Jalan Sultan Badlishah
05000 Alor Star Kedah Darul Aman

Auditors

KPMG (AF 0758)
Chartered Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang

Share Registrar

AGRITEUM Share Registration Services Sdn Bhd
(Company No.: 578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04 228 2321
Fax: 04 227 2391

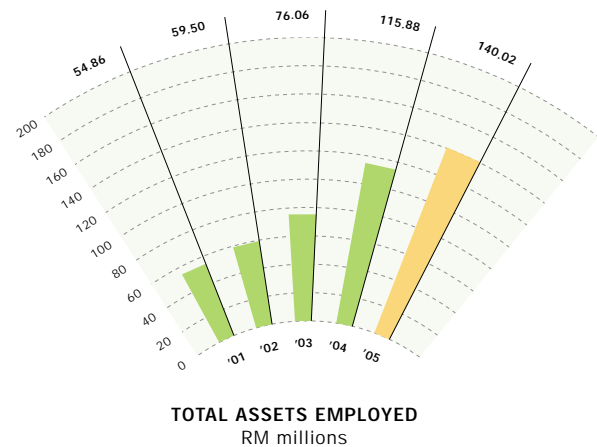
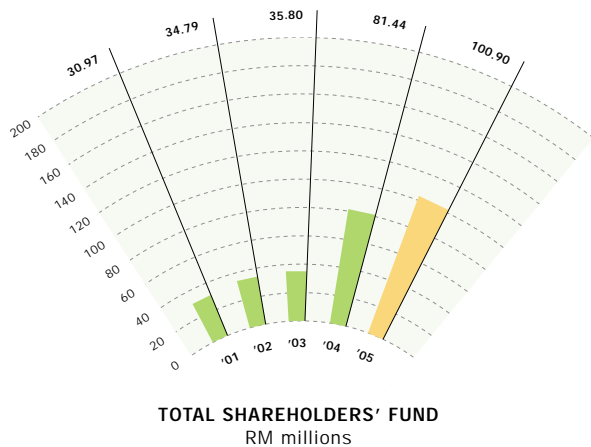
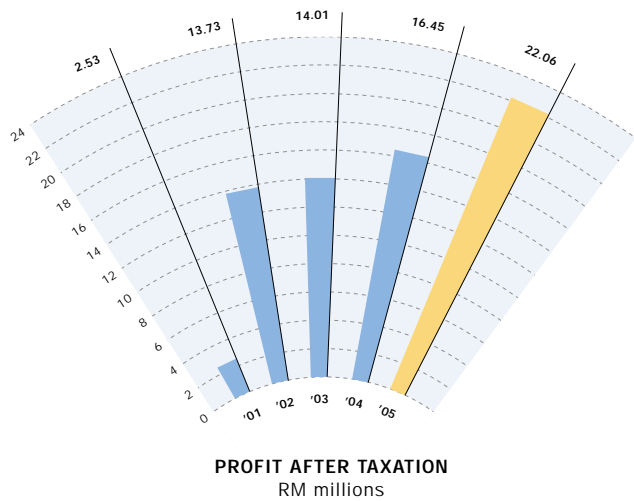
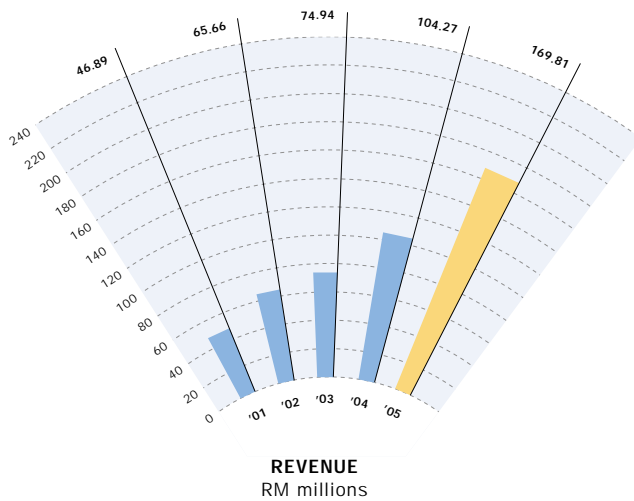
Stock Listing Exchange

The Main Board, Bursa Malaysia Securities Berhad



- Out of which 1 share is held by DIH in trust for DIPL.
- Out of which 99% is held by DIH and 1% held by DXN.
- Out of which 1 share is held by DXN in trust for DIH.

Financial Highlights



	2001	2002	2003	2004	2005
	RM millions	RM millions	RM millions	RM millions	RM millions
Revenue	46.89	65.66	74.94	104.27	169.81
Profit After Taxation	2.53	13.73	14.01	16.45	22.06
Total Shareholders' Fund	30.97	34.79	35.80	81.44	100.90
Total Assets Employed	54.86	59.50	76.06	115.88	140.02

Board of Directors



Standing (from left)

- Mr. Poo Ah An
- Mr. Ooi Soo Kok
- Tengku Farith bin Rithauddeen
- Ms. Lim Yew Lin

Sitting (from left)

- Datin Leong Bee Ling
- Dato' Dr. Lim Siow Jin
- Mr. Lim Boon Yee
- Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah

Profile of Board of Directors



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1 Dato' Dr. Lim Siow Jin (Executive Chairman/CEO)

Dato' Dr. Lim Siow Jin, aged 45, Malaysian. He is the founder of DXN and was appointed as Executive Chairman/Chief Executive Officer on 3 April 1996. He graduated in 1984 from the Indian Institute of Technology with a Bachelor of Technology degree in 1984. In 1997, he was conferred the Doctorate of Philosophy (PhD) in Alternative Medicine by the Indian Board of Alternative Medicine. In 2002, he was conferred the Doctorate of Science (Alternative Medicine) by Indian Board of Alternative Medicines, Millennium Award by the International Association of Educators for World Peace, Albert Schweitzer Award by the Positive Life Foundation and Physician of the New Millennium Award by the Alternative Medicines Research Institute (Canada).

He worked as an engineer with the MUDA Agriculture Development Authority in Kedah from 1984 to 1994 prior to forming DMSB in 1995, the first company in the DXN Group. He is currently responsible for setting the directions for the Group's business strategies, marketing plans and R&D.

He attended all four Board Meetings held during the financial year ended 28 February 2005.

Dato' Dr. Lim Siow Jin is the spouse of Datin Leong Bee Ling, brother of Mr. Lim Boon Yee and Ms. Lim Yew Lin.

2 Mr. Lim Boon Yee (Managing Director)

Mr. Lim Boon Yee, aged 41, Malaysian. He is the Chairman of ESOS Committee and a member of Remuneration Committee. He was appointed as the Managing Director of DXN on 22 November 1998. He graduated in 1990 with a Bachelor of Business Administration degree majoring in Accountancy and International Trade from Soochow University, Taiwan. In 2001, he graduated with a Masters of Business Administration degree from the National University of Singapore. He is also a member of the Malaysian Institute of Management.

He worked as an Audit Manager in Taiwan with Reality United Firm (Taiwan) Limited from 1990 to 1996 prior to joining DXN. He brings to the Group his experience in administration, operation systems and internal control systems. He is currently responsible for the Group's management and administration.

He attended all four Board Meetings held during the financial year ended 28 February 2005.

Mr. Lim Boon Yee is the brother of Dato' Dr. Lim Siow Jin and Ms. Lim Yew Lin.

Profile of Board of Directors



3 Ms. Lim Yew Lin (Executive Director)

Ms. Lim Yew Lin, aged 37, Malaysian. She is a member of Audit Committee and ESOS Committee. She was appointed as the Executive Director of DXN on 21 February 2002. She was admitted as an associate member of the Chartered Institute of Management Accountants UK in 2001 and is a member of the Malaysian Institute of Accountants. From 1990 to 1991, she worked as an accounts clerk in Khoo Peng Trading Sdn Bhd and subsequently joined Takwong (Kedah) Sdn Bhd as an Account Assistant from 1992 to 1993. She joined DXN as Assistant Financial Manager in 1995 and was promoted to Financial Manager in 1997. She was subsequently promoted to Corporate Finance Manager in 1999. She is responsible for maintaining and overseeing the DXN Group's finance. She brings her experience in accounting and financial management to the Group.

She attended all four Board Meetings held during the financial year ended 28 February 2005.

Ms. Lim Yew Lin is the sister of Dato' Dr. Lim Siow Jin and Mr. Lim Boon Yee.

4 Datin Leong Bee Ling (Non-Independent Non-Executive Director)

Datin Leong Bee Ling, aged 48, Malaysian. She was appointed as a Non-Independent Non-Executive Director of DXN on 3 April 1996. Shortly after the completion of her earlier years of education, she started her career in 1978 as an accounts clerk with Berjaya Housing Development Sdn Bhd and subsequently joined Bridgecon Engineering Sdn Bhd from 1989 to 1992. She joined Wong Fook Wah Construction Sdn Bhd from 1992 to 1993. She joined DMSB in 1996 as a Director.

She attended all four Board Meetings held during the financial year ended 28 February 2005.

Datin Leong Bee Ling is the spouse of Dato' Dr. Lim Siow Jin.

Profile of Board of Directors



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5 **Tengku Farith bin Rithauddeen** (Non-Independent Non-Executive Director)

Tengku Farith bin Rithauddeen, aged 34, Malaysian. He was appointed as a Non-Independent Non-Executive Director of DXN on 11 August 2003. He graduated in 1992 with a Bachelor of Arts in Economics from Carleton University, Ottawa, Canada.



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He started his career in 1993 in the corporate finance department of CIMB. He then joined Road Builders (M) Holdings Berhad in 1994 as a Business Development Manager. In 1997, he founded Alam Teknokrat Sdn Bhd which is better known as SKALI and holds the position as President of SKALI till today. He is the Deputy President of Technopreneurs Association of Malaysia and sits on the National Information Technology Council. He is also Deputy President of the New Entrepreneur Forum which was established to promote the development of Bumiputera internet entrepreneurs or netpreneurs. He was selected as a Global Leader for Tomorrow in 2002 by the World Economic Forum.

He attended all three out of four Board Meetings held during the financial year ended 28 February 2005.

Tengku Farith does not have any family relationship with any other directors of the Company.

6 **Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah** (Independent Non-Executive Director)

Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah, aged 54, Malaysian. He is the Chairman of Nominating Committee and a member of Remuneration Committee. He was appointed as an Independent Non-Executive Director of DXN on 11 August 2003. He graduated in 1971 from the Mara Institute of Technology with a diploma in hotel management.

He started his career as a management trainee with Hilton Hotel in Singapore and was later transferred to Hilton Hotel in Kuala Lumpur in 1976 until 1982. He joined Spicers Sdn Bhd, a paper trading company in 1982. He then joined Price and Pierce (Malaysia) Sdn Bhd, a paper trading company in 1995 and Meruutama Corporation Sdn Bhd in 2002 as an Executive Chairman until now. He has also been a director of Merbok Hilir Berhad, a medium density fibre board manufacturing company from 2000 until now.

He attended all four Board Meetings held during the financial year ended 28 February 2005.

Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah does not have any family relationship with any other directors of the Company.

Profile of Board of Directors

1. Family relationship of directors

Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company.

2. Conflict of interest

Save as disclosed below and the financial statements, none of the directors has any conflict of interest within the Company.

3. Conviction of Offence

None of the Directors has been convicted of any offence in the past 10 years other than traffic offences, if any.

4. Directors' interest in shares.

The particulars of the Directors Shareholdings are disclosed in the Directors Report page 36 and page 97 of the annual report.

5. Other directorship of public companies

Saved as disclosed, none of the directors holds any directorship in the public companies.

7 Mr. Poo Ah An (Independent Non-Executive Director)

Mr. Poo Ah An, aged 58, Malaysian. He is the Chairman of Remuneration Committee, a member of Nominating Committee and Audit Committee. He was appointed as an Independent Non-Executive Director of DXN on 11 August 2003. After completing his secondary school in year 1963, he joined Police force and retired in 2000 as a Deputy Superintendent of Police. He joined Trek Systems (M) Sdn Bhd in 2003, a subsidiary of Trek 2000 International Ltd which is a public company listed in Singapore as an Executive Director overseeing the operations of its Malaysia subsidiary.

He attended all four Board Meetings held during the financial year ended 28 February 2005.

Mr. Poo Ah An does not have any immediate family relationship with any other directors of the Company.

8 Mr. Ooi Soo Kok (Independent Non-Executive Director)

Mr. Ooi Soo Kok, aged 51, Malaysian. He is the Chairman of Audit Committee and was appointed as an Independent Non-Executive Director of DXN on 11 August 2003. He qualified as a Certified Public Accountant from the Malaysian Association of Certified Public Accountants in 1978 and is a member of the Malaysian Institute of Accountants and a fellow of the Malaysian Institute of Taxation.

He started his career with Peat Marwick Mitchell & Co. as an Articled Clerk in 1973 and subsequently joined Tan Chong Motor Holdings Bhd as the Financial Control Manager from 1980 to 1983. He then set up Por Ooi & Co. as a partner from 1983 until to date.

He attended all four Board Meetings held during the financial year ended 28 February 2005.

Mr. Ooi Soo Kok does not have any family relationship with any other directors of the Company.



“ During the year under review, the Group achieved 62.8% growth in revenue and 34.2% growth in profit attributable to shareholders if compared to the previous financial year.

”

On behalf of the Board of Directors of DXN Holdings Bhd., I am pleased to present the 2005 Annual Report and Financial Statement of the Group and the Company for the financial year ended 28 February 2005.

Financial performance

The Group revenue for the year under review increased by 62.8% to RM 169.8 million against RM 104.3 million for the previous year. The pre-tax profit of RM 27.8 million in 2005, increased from RM 19.3 million in the previous financial year. The Group's profit attributable to shareholders improved by 34.2% to RM 22 million from RM 16.4 million. The lower pre-tax profit margin for the financial year of 16.5% compared to the previous year of 18.5% was mainly due to higher sales being generated from subsidiaries principally involved in trading and distribution of health food supplements which attached lower profit margin.

Dividends

After considering the financial position and the expansion plans of the Group of companies, the Board is recommending a final dividend of 5% less 28% tax per ordinary share of RM 0.25 each subject to the shareholders' approval. Combined with an interim dividend of 3% less 28% tax per ordinary share of RM 0.25 each paid on 3 March 2005, the total gross dividends for the financial year 2005 will be 8% less 28% tax per ordinary share of RM 0.25 each.

Chairman & CEO's Message

Prospects

The demand for herbal products in the form of medical herbs, health food products and non-food products such as cosmetics and ointments, in both local and global markets continues to experience a healthy growth with an annual rate ranging from 15% to 20%.

On the economy prospect, the local and world economy is expected to show a healthy growth during the year 2005. However, the challenge posed with the volatility of fuel costs observed in the past 12 months will have an impact on the operating costs of most industries.

During the financial year, the Group experienced strong growth in revenue and profit, resulting in an excellent growth rate. This success was mainly contributed by our improved corporate image, product brand building, research and development and marketing strategies.

Strategic Direction

Despite the many challenges the current market presents, the Group's prospects have never been brighter. Our strategic focus on innovation and unwavering commitment to excellence resulted in record revenues and strong earnings growth. Research and development programs will remain one of our top priorities to further strengthen the quality of existing products and have new products of higher specifications on stream to stay ahead in competition. During the financial year, we have officially launched DXN Bee Pollen, DXN Cordyceps Powder, DXN Lion's Mane, DXN Mushroom Powder, DXN Shiitake Mushroom Powder, DXN Spirulina Powder, DXN Zhi Mocha, and DXN Zhi Mint into the market. While focusing on food products, we also see the potential demand in the market for non-food products such as herbal based cosmetic products.

We are in the progress to set-up our construction of a GMP (Good Manufacturing Practice) factory to manufacture our newly developed skin care and personal care series products. We are optimistic the growing demand of DXN's range of diversified products will complement the growing and diverse spread of our markets further in the Middle East, North America and China in the forthcoming year.

As an impetus for growth, human resource management is accorded high emphasis to further support and enhance the value of the Group's business operation to ensure continuous growth for the Group.

The Group has progressed to take the business forward by striking a right balance between the developments of our existing business and explorations in other good return business opportunities that will contribute and add value to our investments both now and in future. Therefore, we are optimistic that the financial year 2006 will be another good year.

Appreciation

I wish to express my sincere appreciation to my fellow members for their valuable inputs and support, the management, staff and distributors of DXN for their hard work, commitment and dedication during the past year. I also extend my gratitude to our loyal shareholders, valued customers and business partners for their invaluable and continuous support and confidence in the Group.

Dato' Dr. Lim Siow Jin
Executive Chairman/CEO

Corporate Highlights



1 Minister of Human Resource visited DXN Gano Farm

On 7th November 2004, the Minister of Human Resource, Datuk Wira Dr. Fong Chan Onn visited DXN Gano Farm.

2 Learn more on DXN's products

During visitation to DXN Gano farm, visitors were provided with an opportunity to learn more about DXN's cultivation process, the manufacturing activities and the products.

3 Seminar on "Your Date With Success"

Distributors were recognised for their achievements at seminar on "Your Date With Success" and Achievers Rally on 12th September 2004.

4 DXN Cares

Managing Director Mr. Lim Boon Yee (right) handing over a mock cheque for RM20,000 to Yayasan Sultanah Bahiyah Chairperson, YTM Dato'Seri Tunku Puteri Intan Safinaz Binti KDYMM Tuanku Sultan Haji Abdul Mu'adzam Shah. SSDK., JP on 8th January 2005.

Corporate Highlights



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5 Lake Toba incentive trip

Another year for endless hard work of 350 distributors was being paid off by earning themselves a great holiday incentive retreat to Lake Toba. This free trip included accommodation in the most luxurious hotel with great local cuisine.

6 DXN ventured into China with Biotechnology

In the midst of venturing aggressively into the international market, DXN has taken a further step by expanding its manufacturing and marketing activities into China.

7 Official launching

Daxen Biotechnology Pte. Ltd., a 100% subsidiary of DXN, incorporated in the Peoples' Republic of China has officially launched its establishment in Gutian, Fujian Province on 8th December 2004.

8 DXN new coffee factory

The second DXN's new coffee-processing factory has a built up area of 24,000 square feet and is equipped with modern facilities which has been completed on 1st December 2004.



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9 Meeting with distributors in USA

A meeting was held in USA, which was conducted by CEO, Dato' Dr. Lim Siow Jin as one of the efforts in penetrating and expanding into the international market.

11 An eventful celebration in India

DXN celebrated its 5th Anniversary in India on 10th April 2005. Together with the top management, the crowded participants witnessed the Company's glorious achievements in India with joy.

10 Meetings create opportunities

Business meetings, workshops and training sessions are organised throughout the year to motivate DXN's distributors.

12 Meeting with CEO in Australia

The meeting with CEO in Australia has attracted a crowded-audience. They were briefed by CEO, Dato' Dr. Lim Siow Jin on DXN's business opportunities.

Corporate Highlights



13 National Convention in Indonesia

DXN organises National Convention throughout the year in all over the world to motivate distributors for higher achievements.

14 Leader's Workshops Soar for Success in Unity

In the two days' workshop held from 3 to 4 July 2004, DXN's leaders further explored their potential and shared knowledge with each other so as to scale greater heights of excellence in their DXN's business.

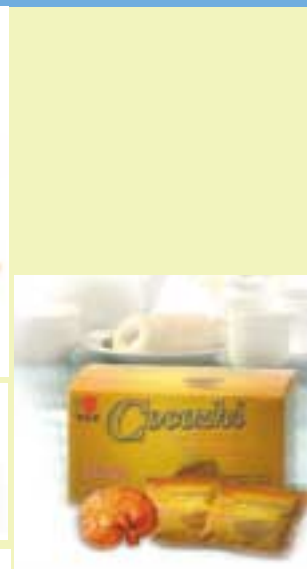


15 Visitors from UAE

A group of visitors from UAE visited DXN Gano Farm on 15th January 2005. Over the years, thousands of local and foreign distributors visited DXN Gano Farm.

16 In-house training and learning workshops

Human Resource advancement is accorded high emphasis. Through out the years, the Company organised several courses, training and learning workshops to upgrade the human capital.



Principal Products

DXN brings you a series of health products which are made of 100 % natural and organic cultivated raw materials without any artificial preservatives, colourings or flavourings. The quality of DXN products are always given priority in every single step of production. The recognition of ISO 14001, ISO 9001:2000, and TGA indicate that our products have attained international standards. Many people throughout the world have improved and continue to improve their health by using DXN products.

Health Food Supplement Series

1. Reishi Gano (RG)
2. Ganocelium (GL)
3. Reishilium Powder
4. Andro-G
5. DXN Mycodiet

Personal Care Series

1. Tea Tree Cream
2. Gano Massage Oil
3. Ganozhi Soap
4. Ganozhi Shampoo and Body Foam
5. Ganozhi Toothpaste
6. Numeko Medicated Rub
7. Fresh Perfume
8. Talcum Powder

Skin Care & Cosmetic Series

1. Aloe-V Facial Cleansing Foam
2. Aloe-V Hand & Body Lotion
3. Snowdrop Herbal Beauty Soap
4. Decolor Lipstick
5. Chubby Baby Oil

Corporate Highlights



Food & Beverage Series

1. Lingzhi Coffee 3 In 1
2. Lingzhi Black Coffee
3. Lingzhi Coffee 2 In 1
4. Zhi Cafe
5. Spica Tea
6. Cocozhi
7. Morinzhi
8. Morinzyme
9. Kiwi Fruit Concentrated Juice
10. Roselle Juice
11. Cordyceps
12. Spirulina Herbal Candy
13. Lion's Mane
14. Roselle Candy
15. GL Spread
16. Tropik Mango
17. Tropik Orange
18. Spirulina Cereal
19. Spirulina Candy
20. Pineapple Jam
21. Zhi Mint
22. DXN Cordypine

Household Product Series

1. Dyna Cleen
2. BLC Bio-Organic Liquid Cleaner
3. Sheen
4. Pine Cleen
5. Dish Cleen
6. GT-6 Wash 'N' Shine
7. Toilet Bowl Cleaner

Water Treatment System Series

1. EWS
2. Filter

New Products

1. DXN Cordyceps Powder
2. DXN Bee Pollen
3. Spirulina Cereal
4. DXN Spirulina Powder
5. DXN Shiitake Mushroom Powder
6. DXN Lion's Mane Mushroom Powder
7. DXN Zhi Mint
8. Zhi Mocha

Corporate Governance Statement

The Board of Directors (the "Board") of DXN Holdings Bhd. is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibility to protect and enhance shareholder value and the financial performance of the Group.

To this end, the Board continues to implement the recommendations of the Malaysian Code of Corporate Governance (the "Code"), which sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board is pleased to provide the following statements, which outline the main corporation governance practices that were in place for the financial year, unless otherwise stated.

Principles Statement

The following Statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of "Board of Directors", "Directors' remuneration", "Shareholders and investors" and "Accountability and audit".

A. Board of Directors

Board Duties and Responsibilities

The Group is led by an experienced Board, which assumes the overall responsibility to ensure good corporate governance for the Group. The primary duties thereof include setting of strategic direction, establishing goals for management and monitoring the achievement of these goals. In addition, the Board is also responsible for the Group's succession plans as well as to ensure that the relevant internal controls and reporting procedures are in place and adequate for the needs of the Group.

The Board ordinarily deliberates on the overall Group strategy and direction, acquisition and investment policy, approval of major capital expenditure and consideration of significant financial matters. Although the Board reviews the financial performance of the Group, it delegates the day-to-day running of the Group's businesses to the Chief Executive Officer (the "CEO") and Executive Directors, who have the relevant experience and expertise to fulfil their mandate.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. The committees of the Board include the Audit Committee, the Nominating Committee and the Remuneration Committee. These committees deliberate on issues pertaining to their terms of reference, and present recommendations to the Board for decisions.

A Board Charter has been established to delineate the roles and responsibilities of the CEO, Executive and Non-Executive Directors.

Board Balance

With the right mix of skills and experience, the Board will be armed with broader perspectives in its decision making process. The presence of three (3) Independent Non-Executive Directors will provide a balance and independent view and judgement to the Board. The roles of Executive Chairman and Chief Executive Officer (the "CEO") are combined and held by Dato' Dr. Lim Siow Jin. Although of combined roles, the Board is of the opinion that there is a balanced view at all deliberations due to the presence of at least one-third (1/3) Independent Directors who are independent from judgement and major shareholders of the Company.

Corporate Governance Statement

Further, considering the size of the Company and the clear division of responsibility of Executive Directors, the existing structure is functioning efficiently. In addition, a Senior Independent Non-Executive Director, Mr. Ooi Soo Kok is appointed to whom all concerns may be conveyed by stakeholders including minority shareholders.

A brief profile of each Director is contained in the "Profile of Board of Directors" as set out on pages 8 to 11 of this Annual Report.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders of the Company.

Board Meeting

The Board intends to meet at least four (4) times a year at quarterly intervals, with additional meetings convened as and when necessary. During the financial year ended 28 February 2005, four (4) Board meetings were held, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions of the Group. The Board receives documents on matters requiring its consideration in advance of each meeting. All proceedings from Board meetings are duly recorded and the minutes thereof signed by the Chairman of the meeting.

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs, both as a full Board and in their individual capacity to enable them to discharge their duties. Every Director is provided with agenda for Board meetings, together with Board papers on Group's financial performance, operational and corporate developments of the Group as well as other matters to be tabled for the Board's consideration. The agenda and Board papers are issued at least seven (7) working days in advance to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, before releasing them to Bursa Malaysia Securities Berhad.

All Directors have unhindered access to the advice and service of the Company Secretary. The Articles of Association of the Company provides that the removal of Company Secretary is a matter for the Board as a whole.

In the furtherance of their duties, all Directors, whether in their individual capacities or as a group, as and when required, may seek additional information or clarification on any matters and where necessary, may take independent professional advice and assistance and at the Company's expense.

Appointment and Re-election of Director

The proposed appointment of a new Member of the Board, as well as the proposed re-appointment/re-election of Directors seeking re-appointment/re-election at the Annual General Meeting (the "AGM") of the Company, are recommended by the Nominating Committee to the Board for their approval.

In accordance with the Company's Articles of Association, one-third (1/3) or nearest one-third (1/3) of the Directors shall retire by rotation from office and be eligible for re-election at each AGM provided that all Directors shall retire from office once at least in each three (3) years and shall be eligible for re-election. New Directors appointed to the Board shall also retire at the AGM following the appointment.

Corporate Governance Statement

This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance, and the shareholdings in the Group of Companies are furnished in this Annual Report.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

The Company Secretary ensures that all the necessary information is obtained and that all legal and regulatory obligations are met before the appointment is made.

Directors' Training

The Board, as a whole, ensures that it recruits only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. Although there is no formal training program for Directors, all Directors, at the date of this Statement, have attended and successfully completed the Mandatory Accreditation Program conducted by the Research Institute of Investment Analysts Malaysia.

All Directors are also encouraged to attend seminars and conferences organised by the relevant regulatory authorities and professional bodies on areas relevant to the Group's operations, Directors' responsibilities, as well as on changes to statutory requirements and regulatory guidelines.

Board Committee

Three (3) Committees (namely Audit, Nominating and Remuneration) have been established to assist the Board in the execution of its responsibilities, the details of which are set out below. In addition, the terms of reference of each of the committees have been approved by the Board and those of the Audit, Nominating and Remuneration Committees reflect the Principles and Best Practices of the Code, as applicable.

i) Audit Committee

The Audit Committee is responsible for viewing issues of accounting policies and presentation for external financial reporting, monitoring the work of the internal audit department, reviewing the independent of the Group's external auditors and ensuring that an objective and professional relationship with the external auditors are maintained. The Audit Committee also reviews any related party transactions and conflict of interest situation that may arise in the Group.

The report on the Audit Committee by the Board (the "Audit Committee Report") for the financial year ended 28 February 2005 is set out on pages 30 to 33 of this Annual Report.

ii) Nominating Committee

The proposed appointment of new member of the Board, as well as the proposed re-appointment/re-election of Directors seeking re-appointment/re-election at the AGM, are recommended by the Nominating Committee to the Board for their approval.

The Nominating Committee is made up entirely of Independent Non-Executive Directors.

Corporate Governance Statement

The members of the Nominating Committee are as follows:-

- Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah
- the Chairman (Independent Non-Executive Director)
- Poo Ah An (Independent Non-Executive Director)

The terms of reference of the Nominating Committee are as follows:

- To review the Board's required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board.
- To consider candidates for Board vacancies as well as to make recommendations to put in place the plans for succession, in particular for the Executive Chairman/CEO and the Executive Director and recommending Directors who are retiring by rotation to be put forward for re-election. To ensure that the composition of the Board of Directors is in compliance with regulations, guidelines and where possible, to be in line with recommended best practices.
- To recommend to the Board for continuation or discontinuation in service of Directors as an Executive or Non-Executive Director.
- To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfil its responsibility.
- To produce any reports as may be required from time to time.

Meetings of the Nominating Committee are held as and when necessary, and at least once a year.

iii) Remuneration Committee

The Remuneration Committee carries out annual reviews whereupon recommendations are submitted to the Board on the overall remuneration policy for Executive Directors and CEO, to ensure that the Executive Directors and CEO's remuneration policy remains in support of its Group objectives and shareholder's value, and in tandem with its culture and strategy.

The Remuneration Committee reviews annually the performance of the Executive Directors and the CEO and furnishes recommendations to the Board on specific adjustments in remuneration and reward payments that reflect their respective contributions for the year, and which are competitive and in tandem with the Group's objectives, culture and strategy.

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole.

The Remuneration Committee consists of the following Directors, of whom two-third (2/3) are independent.

- Poo Ah An - the Chairman ((Independent Non-Executive Director)
- Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah (Independent Non-Executive Director)
- Lim Boon Yee (Managing Director)

Corporate Governance Statement

The terms of reference of the Remuneration Committee are as follows:

- To recommend and agree with the Board on the framework for the remuneration packages of the Executive Directors and CEO having consider their qualification experience and contributions to the Group, as well as to consider the comparable industry standard.
- To recommend to the Board the appointment of services of such advisers or consultants as it deems necessary to fulfil its responsibility.
- To produce any reports as may be required from time to time. Meetings of the Remuneration Committee are held as and when necessary, and at least once a year.

The Board and Committees' Meetings Attendance

Details of attendance of each of the Board and Committees member are as follows:

	Board of Directors	Audit Committee	Nominating Committee	Remuneration Committee
Dato' Dr. Lim Siow Jin	4/4	-	-	-
Lim Boon Yee	4/4	-	-	1/1
Lim Yew Lin	4/4	9/9	-	-
Datin Leong Bee Lin	4/4	-	-	-
Tengku Farith Bin Rithauddeen	3/4	-	-	-
Ooi Soo Kok	4/4	9/9	-	-
Dato' Seri Tunku Abdul Hamid Thani Abni Almarhum Sultan Badlishah	4/4	-	1/1	1/1
Poo Ah An	4/4	9/9	1/1	1/1

B. Directors' Remuneration

The aggregate Directors' remuneration paid or payable to all Directors are categorised into appropriate components for the financial year ended 28 February 2005 are as follows:-

Category of Remuneration	Executive Director (RM)	Non-Executive Director (RM)
Fees	-	204,000
Salaries	1,301,239	-
Bonuses	-	-
Benefits-in-kind	26,300	8,800
Total	1,327,539	212,800

Corporate Governance Statement

The number of Directors whose total remuneration falls within the respective bands during the financial year are as follows:-

Range of Remuneration	Number of Director	
	Executive	Non-Executive
Below RM50,000	-	4
RM50,001 to RM100,000	-	1
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM750,001 to RM800,000	1	-

C. Shareholders and Investors

The Board recognizes the importance of accountability to its shareholders and investors. The Board is committed to maintaining effective communication with its shareholders, stakeholders and the public in general with the intention of giving a clear and comprehensive illustration of the Group's financial performance and prospects through the following means:

- Timely release of quarterly results to Bursa Malaysia Securities Berhad and other information and corporate actions taken by the Group that warrant an announcements to Bursa Malaysia Securities Berhad under the Listing Requirements;
- Meetings and briefings with fund managers and analysts, which provide investors and interested parties a better appreciation and understanding of the Group's performance as well as create an awareness of the expectation and concerns of the investors and such interested parties;
- Annual Report, which provides shareholders with a quick run through of the financial and operational performance of the Group. The Company's Annual Report is released and circulated to all shareholders at least twenty-one (21) days before the AGM;
- The AGM, which provides a platform of communication with the shareholders, enables shareholders to inquire both about the resolutions being proposed and/or about the Group's financial and operation matters in general. The Chairman and other members of the Board undertake to respond to all queries and provide sufficient clarification on any concerns raised by the shareholders;
- The Company's official website at www.dxn2u.com provides general information and background of the Group to the public. Shareholders and the public in general are able to put questions to the Company through the website; and
- Other sources such as press releases and press conferences.

In any of the circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders at large.

Corporate Governance Statement

D. Accountability and Audit

Financial Reporting

The Board aims to present a balanced, understandable and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders as well as the Chairman's statement in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible to ensure that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their profit or loss and cash flows for the financial year then ended. In preparing the financial statements, the Directors have:

- consistently applied appropriate accounting policies;
- made reasonable and prudent judgements and estimates;
- ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied; and
- ensured that the financial statements are prepared on a going concern basis.

The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

State of Internal Controls

The Statement on Internal Control furnished on pages 28 to 29 of the Annual Report provides an overview of the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 30 to 33 of the Annual Report.

A summary of the activities of the Audit Committee during the financial year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 30 to 33 of the Annual Report.

Compliance Statement

The Group has complied, since the date of the last financial year ended to the date of this statement, with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following:

The Company does not have a formal training program for its new Directors, as it is the Company's policy to appoint to the Board only individuals of sufficient calibre and experience to carry out the necessary duties of a Director;

Corporate Governance Statement

- The Board, through the Audit Committee and the Executive Directors, has been able to identify principal business risks and ensure the implementation of appropriate controls to manage these risks. Nonetheless, the Board believes that the establishment of a formalized and structured framework to identify, evaluate and control business risks would better enhance the operations of the Group in preparing itself for the challenges ahead. In this respect, the Risk Management Committee (the "RMC") has been established during this financial year. However, this committee will only executes its responsibilities after the date of this statement.

Other Compliance Information

Non-audit fees

Non-audit fees of the Group paid to the external auditors for the financial year ended 28 February 2005 amounted to RM99,006.

Material Contract

There were no material contract entered into by the Company and/or its subsidiaries during the financial year ended 28 February 2005, which involves interest of Director and major shareholders.

Status of utilization of proceeds raised from right issue and public issue

In connection with the listing of and quotation of the company's share on the main Board of the Bursa Malaysia Securities Berhad on 30 September 2003, the Company has raised a total gross proceeds of RM28.633 millions from the right issue and public issue. As at 18 June 2005, the proceeds are utilised as follows:

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000
Payment of bank borrowings	5,654	5,654	-
Acquisition of corporate headquarter	3,000	2,220	780
Construction of factory building	3,500	3,233	267
Acquisition of plant and machinery	1,000	591	409
Share issue expenses	2,500	2,624	(124)
Working capital	12,979	12,979	-
	28,633	27,301	1,332

The variance of RM124,000 in the amount utilised for listing expenses is mainly due to the actual listing advertisement expenses exceeded the estimated amount. The RM124,000 was financed by internal generated funds.

Statement on Internal Control

Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors of listed companies to maintain a sound internal control system to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the state of internal control of the Group for the financial year ended 28 February 2005, which is made pursuant to paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

Board Responsibility

The Board of Directors acknowledges its responsibility and, together with the senior management, recognizes the importance for maintaining a sound system of internal control and effective risk management policies, which include the establishment of an appropriate control environment, to ensure good corporate governance in the Group. The Board also affirms its responsibility to review the adequacy and integrity of the Group's internal control system.

It should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. The system of internal control, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Management Style and Monitoring Mechanism

Management of day-to-day affairs of the Group's businesses is carried out by the Executive Directors and senior management through their constant review of the business operations. Various regular reports pertaining to performance and results of the Group, which include quantitative and qualitative information, are submitted for the review of the Executive Directors.

Meetings are held at Board, Audit Committee, senior management and operation levels to identify, discuss and resolve business and operational issues in relation to the Group. In addition, meetings with the Group's distributors are also being carried out from time to time to obtain customers' feedback and market information on the Group's products.

Risk Management Framework

The Board recognizes the importance of effective risk management towards ensuring good business management practices.

During the year, a Risk Management Committee was established by the Board, with the aim of assisting the Board in establishing a formal risk management framework across the Group to better identify, evaluate, control and monitor business risks faced by the Group. The Group, with the assistance of a professional consultant firm, had compiled a risk register of the principal risks of certain selected subsidiaries, and developed a formal risk management policy. The Risk Management Committee comprise the senior management staff and meet regularly to review the key business risks affecting the Group. The Risk Management committee did not have any findings that were reported to the Audit Committee during the financial year. In this manner, the Company's risk management activities are integrated into the management level. The integration will enable risks to be addressed on a timely basis.

Statement on Internal Control

Assurance Mechanism

The Audit Committee, on behalf of the Board, assumes the responsibility to review and monitor the effectiveness as well as the adequacy of the Group's internal control system. The Audit Committee is assisted by an Internal Audit Department.

The Internal Audit function was established by, and it reports functionally to, the Audit Committee. Internal audit reports, which outline the audit observations, control weaknesses, recommendations and management's action plan to improve the system of internal control, are issued to Audit Committee for consideration. The Audit Committee then reports to the Board significant issues that require Board's attention. The scope of Internal Audit function will ultimately cover all the significant companies and business units in the Group.

The external auditors also play a role in identifying areas for improvement to the internal control system during the course of their annual statutory audit. The areas for improvement are highlighted to the Board and Audit Committee via a management letter, or are articulated at the Board and Audit Committee meetings.

The Audit Committee Report is set out on pages 30 to 33 of the Annual Report.

Other Key Features of the Group's Internal Control System

Other key elements of the Group's internal control system are described as below:

- An organization structure exists with clearly defined lines of responsibility and delegation of authority;
- A process of hierarchical reporting has been established to ensure accountability of employees;
- Policies and procedures are documented in Standard Operating Procedures to serve as guidelines for operations;
- Employee Handbook has been adopted to provide guidance on code of conduct, health and safety, serious misconduct and disciplinary actions;
- Regular information are provided to senior management covering financial performance and key business indicators for their review and comments to ensure exceptions are appropriately explained for; and
- Regular visits to operating units by senior management and, where deemed appropriate, by the Executive Directors.

The Board is of the opinion that there is no significant breakdown or weakness in the system of internal control of the Group that have resulted in material losses incurred by the Group for the financial year ended 28 February 2005. The Board, together with senior management, continues to take measures to strengthen the control environment.

Audit Committee Report

The Audit Committee (the "Committee") comprises the following members:

Chairman : Ooi Soo Kok (Independent Non-Executive Director)

Members : Poo Ah An (Independent Non-Executive Director)
Lim Yew Lin (Executive Director)

The Audit Committee held nine (9) meetings during the financial year ended 28 February 2005. The details of attendance of each member at the Committee meeting are as follow:-

Name	Attendance
Ooi Soo Kok	9/9
Poo Ah An	9/9
Lim Yew Lin	9/9

Terms Of Reference

The terms of reference as approved by the Board are as follows:

1. Composition of the Audit Committee

An Audit Committee shall be appointed by the Board from among their numbers (pursuant to a resolution of the Board of Directors) and shall fulfill the following requirements:

- a. the Committee must be composed of not less than three (3) members;
- b. a majority of the Committee members must be independent Directors; and
- c. at least one (1) member of the Committee:
 - i. must be a member of the Malaysian Institute of Accountants; or
 - ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - aa. he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - bb. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - cc. a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
 - dd. at least 7 years' experience being a chief finance officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

Audit Committee Report

- d. Alternate Director is not allowed to become a member of the Committee.

The Committee shall elect a Chairman from among its members who shall be an independent Director.

In the event of any vacancy in the Committee resulting in non-compliance of paragraphs (a), (b) and (c) above, the Board must fill the vacancy within three (3) months.

The terms of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. Meetings

The Committee shall hold at least four (4) regular meetings per financial year and such additional meetings as the Chairman of the Committee shall decide in order to fulfill its duties. In addition, the Chairman of the Committee may call for a meeting if a request is made by any member of the Committee or the Board, or the internal or external auditors.

The quorum for a meeting of the Committee shall be two (2) members, the majority of whom must be independent Directors.

The Company Secretary shall be the Secretary of the Committee.

The Company shall ensure that attendance of the other Directors and employees of the Company at any particular Committee meeting is only at the Committee's invitation and is specific to the relevant meeting.

The Committee shall regulate its own procedure, in particular, the calling of meetings, the notice and agenda to be given of such meetings, the voting and proceeding of such meetings, the keeping of minutes and the custody, production and inspection of such minutes.

The Company Secretary who acts as Secretary of the Committee shall circulate the minutes of each meeting to all members of the Board.

3. Authority

The Committee shall, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- a. have authority to investigate any matter within its terms of reference;
- b. have the resources which are required to perform its duties;
- c. have full and unrestricted access to any information pertaining to the Group;
- d. have direct communication channels with the external auditors and person(s) carrying out-the internal audit function or activity;

Audit Committee Report

- e. be able to obtain independent professional or other advice; and
- f. be able to convene meetings with external auditors, excluding the attendance of executive members of the Committee, whenever deemed necessary.

4. Duties and Responsibilities

- a. To review the following and to report the same to the Board:
 - i. To review the quarterly announcements to Bursa Malaysia Securities Berhad and the annual financial statements before the approval by the Board, focusing on:
 - changes in and implementation of major accounting policy;
 - significant and unusual events or adjustments;
 - going concern assumption;
 - compliance with accounting standards and other legal requirements.
 - ii. To review with the External Auditors the following:
 - the audit plan;
 - the evaluation of the system of internal control;
 - auditor's management letter and management's response;
 - problems and reservation arising from the interim and final audit.
 - iii. To review the internal audit function on the following:
 - adequacy of the scope, function and resources of the internal audit function and that it the necessary authority to carry out its work;
 - the internal audit plan, internal audit programme, processes, the results of internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - consider the major findings of internal audit, fraud investigations and steps taken by Management in response to audit findings;
 - adequacy of risk management system to safeguard the Group's assets;
 - assessment of the performance of the outsourced internal audit team, if any.
 - iv. To review:
 - any letters of resignation from the External Auditors of the Company and its subsidiaries; and
 - whether there is reason (supported by grounds) to believe that the External Auditors of the Company and its subsidiaries are not suitable for re-appointment;
 - the assistance given by the employees of the Company and its subsidiaries to the External Auditors;
 - any related party transactions and conflict of interest situations that may arise within the Company and its subsidiaries including any transactions, procedures or course of conduct that raises questions of management integrity; and
 - the allocation of option granted pursuant to the Executive Share Option Scheme.

Audit Committee Report

- b. To recommend the nomination of a person or persons as an External Auditors and the audit fees.
- c. To act upon the Board of Director's request to investigate and report on any issues or concerns in regard to the management of the Group.
- d. To promptly report to Bursa Malaysia Securities Berhad on matters reported by the Committee to the Board of Directors, which have not been satisfactorily resolved resulting in breach of the Bursa Malaysia Listing Requirements.
- e. To undertake such other responsibilities as may be agreed by the Committee and the Board.

Summary of Audit Committee's Activities

During the financial year, the Committee carried out its duties in accordance with its terms of reference and the main activities undertaken by the Committee are summarized as follows:

1. Reviewed of quarterly and year-end financial statements before recommending to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
2. Reviewed of the Group audit plan with external auditors on audit approach, scope and significant events that had taken place since the last statutory audit;
3. Reviewed and approval of the internal audit plans, including the reports on findings from internal audit carried out on selected companies in the Group;
4. Reviewed the allocation of option granted pursuant to the Executive Share Option Scheme;
5. Reviewed of the related party transactions entered into by the Group; and
6. Reviewed the principal risks of certain selected subsidiaries, risk management and assessment process to ensure appropriate controls are put in place to address the principal business risks faced by the Group.

Internal Audit Function

The Group has in place an adequately resourced Internal Audit Department. The Internal Audit Department undertakes the Group's internal audit function and reports its findings directly to the Committee. In addition, the Department is also independent of the activities it audits.

During the financial year, the Internal Audit Department undertook operational, compliance and risk based audits, investigations, and follow-up audits on the activities of various operational units within the Group. Audits are carried out on the subsidiaries within the Group to review and test the adequacy and effectiveness of internal control systems to provide reasonable assurance that such internal control systems continue to operate effectively.

The Internal Audit Department also provides the Committee with independent and objective reports, which highlight control or procedural weaknesses that required Management's attention. Such reports also include practical recommendations as well as corrective actions to be adopted by Management.

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Directors' Report

for the year ended 28 February 2005

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 28 February 2005.

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiaries are set out in Note 3 to the financial statements.

There has been no significant change in the nature of these activities during the financial year other than the incorporation of a new subsidiary as mentioned in Note 3 to the financial statements.

Results

	Group RM	Company RM
Net profit for the year	22,064,335	8,754,376

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid the following dividends :

- i) final dividend of 5% less 28% tax amounting to RM2,164,527 in respect of the year ended 29 February 2004 on 28 September 2004; and
- ii) interim dividend of 3% less 28% tax amounting to RM1,300,072 in respect of the year ended 28 February 2005 on 3 March 2005.

A final dividend of 5% less 28% tax has been recommended by the Directors in respect of the year ended 28 February 2005, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Directors of the Company

Directors who have served since the date of the last report are:

Dato' Dr. Lim Siow Jin

Datin Leong Bee Ling

Lim Boon Yee

Lim Yew Lin

Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah

Poo Ah An

Ooi Soo Kok

Tengku Farith bin Rithauddeen

Directors' Report

for the year ended 28 February 2005

Directors' interest in shares

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows :

	Ordinary shares of RM0.25 each			
	Balance at 1.3.2004	Bought	(Sold)	Balance at 28.2.2005
<u>The Company</u>				
Direct interest				
Dato' Dr. Lim Siow Jin	-	-	-	-
Datin Leong Bee Ling	-	-	-	-
Lim Boon Yee	11,161,100	1,500,000	-	12,661,100
Lim Yew Lin	862,000	140,000	-	1,002,000
Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	-	100,000	(100,000)	-
Poo Ah An	100,000	-	-	100,000
Tengku Farith bin Rithauddeen	917,500	-	-	917,500
Ooi Soo Kok	-	15,000	-	15,000

Deemed interest

Dato' Dr. Lim Siow Jin	102,400,000	2,981,300	-	105,381,300
Datin Leong Bee Ling	102,400,000	978,300	-	103,378,300
Tengku Farith bin Rithauddeen	37,519,300	358,000	(8,142,000)	29,735,300
Lim Boon Yee	-	2,003,000	-	2,003,000

By virtue of their indirect interests in the shares of the Company, Dato' Dr. Lim Siow Jin, Datin Leong Bee Ling and Tengku Farith bin Rithauddeen are also deemed interested in the shares of all the subsidiaries during the financial year to the extent the Company has an interest.

		Number of options over ordinary shares of RM0.25 each		
	Option price RM	Balance at 1.3.2004	Granted (Exercised)	Balance at 28.2.2005
<u>The Company</u>				
Dato' Dr. Lim Siow Jin	0.82	360,000	-	360,000
	0.85	-	360,000	360,000
Lim Boon Yee	0.82	800,000	-	800,000
	0.85	-	600,000	600,000
Lim Yew Lin	0.82	500,000	(100,000)	400,000
	0.85	-	400,000	400,000

None of the other Directors holding office at 28 February 2005 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

Directors' Report

for the year ended 28 February 2005

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who may be deemed to derive a benefit by virtue of those transactions entered in the ordinary course of business between certain companies in the Group and companies in which the Directors have substantial financial interests.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Executive Share Option Scheme (ESOS) of the Company.

Issue of shares and debentures

During the financial year, the Company issued 688,000 and 14,000 ordinary shares of RM0.25 each arising from the exercise of share options pursuant to the ESOS at the option price of RM0.82 and RM0.85 respectively.

There were no debentures in issue during the year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS.

The options offered to take up unissued ordinary shares of RM0.25 each and the option prices are as follows:

Date of offer	Option Price RM	Number of options over ordinary shares of RM0.25 each			Balance at 28.2.2005
		Balance at 1.3.2004	Granted	Exercised	
8.12.2003	0.82	3,922,000	-	(688,000)	3,234,000
13.12.2004	0.85	-	3,447,000	(14,000)	3,433,000

The details of the ESOS granted to the executives who have been granted with 80,000 options or more during the year are as follows :

Number of options over ordinary shares of RM0.25 each	
Dato' Dr. Lim Siow Jin	360,000
Lim Boon Yee	600,000
Lim Yew Lin	400,000
Lim Chea Lin	95,000
Tan Young Tat	83,000

Directors' Report

for the year ended 28 February 2005

Other than the above, the balance of 1,909,000 was granted to 85 executives of the Group. The average number of options granted to each individual executive is 22,459.

The salient features of the ESOS are as follows :

- i) Eligible executives are those who have been confirmed in writing as a full time employee of the Group for a period of at least one year prior to the date of the offer.
- ii) The option is personal to the grantee and is non-assignable.
- iii) The option price shall be determined by the average of the middle market quotation of the Company's ordinary shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five trading days preceding the respective dates of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher.
- iv) The options granted may be exercised at any time within a period of five years from the date of offer of the option or such shorter year as may be specifically stated in the offer upon giving notice in writing.
- v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.
- vi) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Significant event during the year

The details of such event are disclosed in Note 29 to the financial statements.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

Directors' Report

for the year ended 28 February 2005

Other statutory information (cont'd)

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, and
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the companies to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 28 February 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

.....
Lim Boon Yee

.....
Lim Yew Lin

Penang,

Date : 18 June 2005

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 43 to 88 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 28 February 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Lim Boon Yee

.....
Lim Yew Lin

Penang,

Date : 18 June 2005

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Lim Yew Lin**, the Director primarily responsible for the financial management of DXN Holdings Bhd., do solemnly and sincerely declare that the financial statements set out on pages 43 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 18 June 2005.

.....
Lim Yew Lin

Before me :

Report of the Auditors to the members

of DXN Holdings Bhd. Co. No. 363120-V (Incorporated in Malaysia)

We have audited the financial statements set out on pages 43 to 88. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :

- i) the state of affairs of the Group and of the Company at 28 February 2005 and the results of their operations and cash flows for the year ended on that date; and
- ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG
Firm Number : AF 0758
Chartered Accountants

Penang,
Date : 18 June 2005

Lee Kean Teong
Partner
Approval Number : 1857/02/06 (J)

Consolidated Balance Sheet

at 28 February 2005

	Note	2005 RM	2004 RM
Property, plant, and equipment	2	47,564,229	38,200,874
Investment in an associate	4	402,980	168,222
Goodwill on consolidation	5	1,577,210	1,754,659
Other investments	6	1,273,947	1,288,187
Deferred tax assets	15	188,245	591,200
Current assets			
Inventories	7	21,344,710	16,457,656
Trade and other receivables	8	35,409,038	31,682,384
Tax refundable		1,652,526	942,183
Cash and cash equivalents	9	32,376,392	27,145,214
		90,782,666	76,227,437
Current liabilities			
Trade and other payables	10	21,488,167	18,928,422
Borrowings	11	4,886,726	1,865,939
Taxation		684,937	160,126
		27,059,830	20,954,487
Net current assets		63,722,836	55,272,950
		114,729,447	97,276,092
Financed by :			
Capital and reserves			
Share capital	12	60,188,500	60,013,000
Share premium	13	1,606,621	1,206,061
Retained profits		38,669,748	20,070,012
Exchange fluctuation reserve		439,141	151,109
Shareholders' funds		100,904,010	81,440,182
Negative goodwill	14	10,706,270	10,706,270
Long term and deferred liabilities			
Borrowings	11	1,870,114	4,730,640
Deferred tax liabilities	15	1,249,053	399,000
		114,729,447	97,276,092

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2005.

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Consolidated Income Statement

for the year ended 28 February 2005

	Note	2005 RM	2004 RM
Revenue	16	169,808,607	104,274,184
Other operating income	17	6,026,491	6,577,698
Changes in work-in-progress and manufactured inventories		(4,510,978)	1,314,174
Raw material and trading inventories used		(34,639,331)	(20,301,539)
Staff costs	18	(19,761,083)	(12,975,383)
Depreciation	2	(3,699,017)	(3,947,650)
Operating expenses	17	(85,181,768)	(54,702,393)
Operating profit		28,042,921	20,239,091
Finance costs	19	(520,381)	(985,498)
Share of profit of an associate		236,036	61,272
Profit before tax		27,758,576	19,314,865
Tax - Company and subsidiaries		(5,692,963)	(2,869,620)
- associate		(1,278)	-
Tax expense	20	(5,694,241)	(2,869,620)
Net profit for the year		22,064,335	16,445,245
Basic earnings per ordinary share (sen)	21	9.18	8.87
Diluted earnings per ordinary share (sen)	21	9.17	8.86
Dividends per ordinary share - net (sen)	22	1.44	1.44

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 28 February 2005

	Share Capital RM	Non-Distributable Share Premium RM	Exchange Fluctuation Reserve RM	Distributable Retained Profits RM	Total RM
At 1 March 2003	375,000	-	-	35,420,767	35,795,767
Issue of shares (Note 12)					
- Bonus issue	30,500,000	-	-	(30,500,000)	-
- Acquisition of subsidiaries and associate	4,292,250	-	-	-	4,292,250
- Rights issue	22,332,750	-	-	-	22,332,750
- Public issue	2,500,000	3,800,000	-	-	6,300,000
- ESOS	13,000	29,640	-	-	42,640
	59,638,000	3,829,640	-	(30,500,000)	32,967,640
Net profit for the year	-	-	-	16,445,245	16,445,245
Net gain/(loss) not recognised in the consolidated income statement					
- Exchange differences on translation of financial statements of foreign entities	-	-	151,109	-	151,109
- Share issue expense	-	(2,623,579)	-	-	(2,623,579)
	-	(2,623,579)	151,109	-	(2,472,470)
Dividends (Note 22)	-	-	-	(1,296,000)	(1,296,000)
At 28 February 2004	60,013,000	1,206,061	151,109	20,070,012	81,440,182
Issue of shares - ESOS (Note 12)	175,500	400,560	-	-	576,060
Net profit for the year	-	-	-	22,064,335	22,064,335
Net gain not recognised in the consolidated income statement					
- Exchange differences on translation of financial statements of foreign entities	-	-	288,032	-	288,032
	-	-	288,032	-	288,032
Dividends (Note 22)	-	-	-	(3,464,599)	(3,464,599)
At 28 February 2005	60,188,500	1,606,621	439,141	38,669,748	100,904,010

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Consolidated Cash Flow Statement

for the year ended 28 February 2005

	2005 RM	2004 RM
Cash flows from operating activities		
Profit before tax	27,758,576	19,314,865
Adjustments for :		
Amortisation of goodwill on consolidation	177,449	19,833
Depreciation	3,699,017	3,947,650
Gain on disposal of plant and equipment	(9,659)	(68,367)
Interest income	(319,026)	(176,765)
Interest expense	520,381	985,498
Plant and equipment written off	14,264	20,220
Other investments written off	-	1,255
Allowance for/(Reversal of) diminution in value of other investments	14,240	(21,115)
Share of results of an associate	(236,036)	(61,272)
Dividend income	(2,648)	-
Operating profit before working capital changes	31,616,558	23,961,802
(Increase)/Decrease in :		
Inventories	(4,887,054)	180,543
Trade and other receivables	(3,726,654)	28,757,446
Increase/(Decrease) in :		
Trade and other payables	1,384,797	(28,948,758)
Cash generated from operations	24,387,647	23,951,033
Income tax paid	(4,632,512)	(3,739,177)
Net cash generated from operating activities	19,755,135	20,211,856

Consolidated Cash Flow Statement

for the year ended 28 February 2005

	2005 RM	2004 RM
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (Note A)	-	5,101,996
Purchase of property, plant and equipment (Note B)	(13,464,718)	(5,411,891)
Proceeds from disposal of plant and equipment	602,990	296,484
Interest received	319,026	176,765
Dividend received	2,648	-
Net cash used in investing activities	(12,540,054)	163,354
Cash flows from financing activities		
Increase/(Decrease) in short term borrowings, net	2,760,118	(256,248)
Repayment of term loans	(2,820,474)	(7,030,955)
Repayment of hire purchase obligations	(298,751)	(1,884,113)
Proceeds from issuance of shares	576,060	28,675,390
Dividends paid	(2,164,527)	(9,296,000)
Share issue expenses	-	(2,623,579)
Withdrawal/(Placement) of pledged fixed deposits	253,293	(585,049)
Interest paid	(520,381)	(985,498)
Net cash (used in)/generated from financing activities	(2,214,662)	6,013,948
Net increase in cash and cash equivalents	5,000,419	26,389,158
Cash and cash equivalents at beginning of year	23,968,605	(2,360,733)
Effect of exchange differences on cash and cash equivalents	333,083	(59,820)
Cash and cash equivalents at end of year (Note C)	29,302,107	23,968,605

Consolidated Cash Flow Statement

for the year ended 28 February 2005

NOTES

A. Analysis of acquisition of subsidiaries

The fair value of assets acquired and liabilities assumed were as follows :

	2005 RM	2004 RM
Property, plant and equipment	-	11,760,165
Deferred tax assets	-	289,962
<i>Current assets</i>		
Inventories	-	6,767,892
Trade and other receivables	-	28,140,672
Cash and cash equivalents	-	6,801,996
<i>Current liabilities</i>		
Trade and other payables	-	(34,913,087)
Borrowings	-	(7,443,522)
Taxation	-	(430,101)
Net assets acquired	-	10,973,977
Negative goodwill on consolidation	-	(4,988,677)
Total purchase consideration	-	5,985,300
Purchase consideration satisfied by issue of shares	-	(4,185,300)
Purchase consideration by cash	-	1,800,000
Less : Cash and cash equivalents	-	(6,801,996)
Deferred payment	-	(100,000)
Net cash assumed	-	(5,101,996)

B. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM13,807,718 (2004 : RM5,531,891) of which RM343,000 (2004 : RM120,000) was acquired by means of hire purchase. The balance of RM13,464,718 (2004 : RM5,411,891) was made by cash payments.

Consolidated Cash Flow Statement

for the year ended 28 February 2005

C. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts :

	2005 RM	2004 RM
Fixed deposits with licensed banks (net of pledged deposits)	2,667,773	801,062
Cash and bank balances	26,785,303	23,167,543
Bank overdrafts	(150,969)	-
	<u>29,302,107</u>	<u>23,968,605</u>

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Balance Sheet

at 28 February 2005

	Note	2005 RM	2004 RM
Property, plant and equipment	2	3,966,695	3,041,409
Investment in subsidiaries	3	18,649,500	11,809,500
Other investments	6	1,195,207	1,195,207
Current assets			
Trade and other receivables	8	44,520,705	50,885,843
Tax refundable		625,686	381,250
Cash and cash equivalents	9	1,279,169	2,252,452
		46,425,560	53,519,545
Current liabilities			
Trade and other payables	10	1,663,885	7,169,184
Borrowings	11	117,181	29,525
		1,781,066	7,198,709
Net current assets		44,644,494	46,320,836
		68,455,896	62,366,952
Financed by :			
Capital and reserves			
Share capital	12	60,188,500	60,013,000
Share premium	13	1,606,621	1,206,061
Retained profits		6,351,668	1,061,891
Shareholders' funds		68,146,789	62,280,952
Long term and deferred liabilities			
Borrowings	11	211,107	86,000
Deferred tax liability	15	98,000	-
		68,455,896	62,366,952

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Income Statement

for the year ended 28 February 2005

	Note	2005 RM	2004 RM
Revenue	16	14,200,000	6,297,778
Other operating income	17	77,258	127,900
Staff costs	18	(3,729,939)	(2,623,705)
Depreciation	2	(112,111)	(61,985)
Operating expenses	17	(1,528,529)	(952,151)
Operating profit		<u>8,906,679</u>	<u>2,787,837</u>
Finance costs	19	(4,990)	(62,688)
Profit before tax		<u>8,901,689</u>	<u>2,725,149</u>
Tax expense	20	(147,313)	(777,778)
Net profit for the year		<u>8,754,376</u>	<u>1,947,371</u>
Dividends per ordinary share - net (sen)	22	<u>1.44</u>	<u>1.44</u>

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Statement of Changes in Equity

for the year ended 28 February 2005

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 March 2003	375,000	-	30,910,520	31,285,520
Issue of shares (Note 12)				
- Bonus issue	30,500,000	-	(30,500,000)	-
- Acquisition of subsidiaries and associate	4,292,250	-	-	4,292,250
- Rights issue	22,332,750	-	-	22,332,750
- Public issue	2,500,000	3,800,000	-	6,300,000
- ESOS	13,000	29,640	-	42,640
	59,638,000	3,829,640	(30,500,000)	32,967,640
Net loss not recognised in the income statement				
- Share issue expenses	-	(2,623,579)	-	(2,623,579)
Net profit for the year	-	-	1,947,371	1,947,371
Dividends (Note 22)	-	-	(1,296,000)	(1,296,000)
At 28 February 2004	60,013,000	1,206,061	1,061,891	62,280,952
Issue of shares - ESOS (note 12)	175,500	400,560	-	576,060
Net profit for the year	-	-	8,754,376	8,754,376
Dividends (Note 22)	-	-	(3,464,599)	(3,464,599)
At 28 February 2005	60,188,500	1,606,621	6,351,668	68,146,789

The notes set out on pages 55 to 88 form an integral part of,
and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 28 February 2005

	2005 RM	2004 RM
Cash flows from operating activities		
Profit before tax	8,901,689	2,725,149
Adjustments for :		
Depreciation	112,111	61,985
Interest expense	4,990	62,688
Interest income	(38,495)	(103,440)
Dividend income	(9,000,000)	(2,777,778)
Loss on disposal of equipment	1,045	-
Operating loss before working capital changes	(18,660)	(31,396)
Decrease/(Increase) in :		
Trade and other receivables	6,365,138	(2,519,842)
Decrease in :		
Trade and other payables	(6,805,371)	(9,713,092)
Cash used in operations	(458,893)	(12,264,330)
Income tax paid	(293,749)	(340,467)
Dividends received	9,000,000	2,000,000
Net cash generated from/(used in) operating activities	8,247,358	(10,604,797)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(1,038,442)	(1,946,955)
Purchase of investments in subsidiaries	-	(1,800,000)
Additional investment in a subsidiary	-	(300,000)
Interest received	38,495	103,440
Subscription of shares in a subsidiary	(6,840,000)	-
Net cash used in investing activities	(7,839,947)	(3,943,515)

Cash Flow Statement

for the year ended 28 February 2005

	2005 RM	2004 RM
Cash flows from financing activities		
Drawdown on term loan	250,000	-
Listing expenses paid	-	(2,623,579)
Dividends paid	(2,164,527)	(9,296,000)
Repayment of term loan	(7,712)	(398,108)
Repayment of hire purchase obligations	(29,525)	(43,344)
Proceeds from issuance of shares	576,060	28,675,390
Withdrawal of pledged fixed deposits	310,270	981,361
Interest paid	(4,990)	(62,688)
Net cash (used in)/generated from financing activities	(1,070,424)	17,233,032
Net (decrease)/increase in cash and cash equivalents	(663,013)	2,684,720
Cash and cash equivalents at beginning of year	1,642,182	(1,042,538)
Cash and cash equivalents at end of year (Note B)	979,169	1,642,182

NOTES

A. Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM1,038,442 (2004 : RM2,066,955) of which RM NIL (2004 : RM120,000) was acquired by means of hire purchase. The balance of RM1,038,442 (2004 : RM1,946,955) was made by cash payments.

B. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :

	2005 RM	2004 RM
Fixed deposits with licensed banks (net of pledged deposits)	369,986	359,095
Cash and bank balances	609,183	1,283,087
	979,169	1,642,182

The notes set out on pages 55 to 88 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statement

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates.

Notes to the Financial Statement

(c) Associates (cont'd)

Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill or negative goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposals are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land and capital work-in-progress are not amortised/depreciated. Leasehold land are amortised in equal instalments over the years of the respective leases which range from 39 to 90 years.

The straight-line method is used to write-off the cost of the other assets over the term of their expected useful lives at the following principal annual rates :

	%
Buildings	2 - 3.3
Farms	2 - 20
Plant and machinery	10 - 20
Furniture, fittings and office equipment	10 - 20
Motor vehicles	20

(e) Impairment

The carrying amount of assets, other than inventories and financial assets (other than investment in subsidiaries and associate), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

Notes to the Financial Statement

(e) Impairment (cont'd)

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(f) Investments

Long term investments other than investment in subsidiaries and associate are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investment in subsidiaries and associate are stated at cost in the Company less impairment loss, where applicable.

(g) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 10 years.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition and is not amortised.

In respect of associate, the carrying amount of negative goodwill is included in the carrying amount of the investment in the associate.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost. Cost comprises actual purchase price plus the cost of bringing the inventories to their present location and condition. For work-in-progress and manufactured inventories, cost consists of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Notes to the Financial Statement

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(m) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill and negative goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(n) Foreign currency

i) *Foreign currency transactions*

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date.

Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

Notes to the Financial Statement

(n) Foreign currency (cont'd)

ii) *Financial statements of foreign operations*

The Group's foreign operations are not considered an integral part of the Group's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising from retranslating the opening net investments in the foreign subsidiaries at the closing exchange rate are recognised directly to the Exchange Fluctuation Reserve.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows :

	2005	2004
	RM	RM
1 USD	3.800	3.800
1 Baht	0.099	0.087
1 SGD	2.320	2.160
1 HKD	0.487	0.483
1 Rupee	0.087	0.077
1 Rupiah	0.00041	0.00041
1 Peso	0.069	0.069

(o) Hire purchase

The assets and obligations arising from hire purchase plans are recorded at the fair value of the assets at the beginning of the duration of the hire purchase. The amount of the assets are depreciated over their expected useful lives consistent with the depreciation rates the Group adopts for depreciable assets that are owned.

The difference between the hire purchase obligations over the duration of the hire purchase and the initial recorded liability which represents interest cost, is expensed off over the accounting years covered by the duration of the borrowing using the "sum-of-digits" method.

(p) Income recognition

i) *Goods sold and services rendered*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue on tours operations is recognised upon the departure of tours.

Revenue from sale of air cruise tickets is recognised upon issuing of tickets and customers' acceptances.

Revenue from services rendered is recognised in the income statement upon the services being performed.

Notes to the Financial Statement

(p) Income recognition (cont'd)

ii) Membership fees

Members joining the Company's direct sales marketing plan are required to pay a membership fee which entitles them to life membership and the right to purchase the Company's products at a lower price than those charged to non-members.

The membership fees are recognised in the income statement in the year of receipt.

iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iv) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(q) Finance costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease and hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

(r) Employee benefits

i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leaves are recognised when absences occur.

ii) Defined contribution plans

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

iii) Equity and equity-related compensation benefits

The share option programme allows the Group's employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

Notes to the Financial Statement

2. Property, plant and equipment

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Farms RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Cost										
At 1 March 2004	4,857,932	1,128,204	2,394,221	11,649,081	6,068,681	12,708,664	8,486,519	3,214,669	2,248,527	52,756,498
Additions	1,078,679	2,401,467	-	1,715,401	53,074	1,761,288	1,427,027	877,772	4,493,010	13,807,718
Disposals	-	(494,747)	-	-	(30,200)	(2,850)	(18,938)	(326,460)	-	(873,195)
Written off	-	-	-	-	-	-	(55,325)	-	-	(55,325)
Exchange difference	58,054	(180,339)	-	4,151	-	(55,690)	33,479	(35,148)	-	(175,493)
Reclassification	955,740	-	-	1,264,260	(151,000)	179,700	-	(8,650)	(2,240,050)	-
At 28 February 2005	6,950,405	2,854,585	2,394,221	14,632,893	5,940,555	14,591,112	9,872,762	3,722,183	4,501,487	65,460,203
Accumulated depreciation										
At 1 March 2004	-	50,105	65,008	750,727	703,715	7,486,398	3,819,425	1,680,246	-	14,555,624
Charge for the year	-	28,638	136,739	496,002	193,159	1,602,625	722,009	519,845	-	3,699,017
Disposals	-	-	-	-	(2,215)	(1,401)	(8,728)	(267,520)	-	(279,864)
Written off	-	-	-	-	-	-	(41,061)	-	-	(41,061)
Exchange difference	-	-	-	5,857	-	(38,464)	15,135	(20,270)	-	(37,742)
Reclassification	-	-	-	-	(4,530)	10,441	-	(5,911)	-	-
At 28 February 2005	-	78,743	201,747	1,252,586	890,129	9,059,599	4,506,780	1,906,390	-	17,895,974
Net book value										
At 28 February 2005	6,950,405	2,775,842	2,192,474	13,380,307	5,050,426	5,531,513	5,365,982	1,815,793	4,501,487	47,564,229
At 29 February 2004	4,857,932	1,078,099	2,329,213	10,898,354	5,364,966	5,222,266	4,667,094	1,534,423	2,248,527	38,200,874
Depreciation charge for the year ended 29 February 2004	-	20,733	12,564	361,872	194,876	1,924,097	974,150	459,358	-	3,947,650

Notes to the Financial Statement

2. Property, plant and equipment (Cont'd)

Company	Freehold land RM	Building RM	Motor vehicles RM	Office equipment RM	Work-in progress RM	Total RM
Cost						
At 1 March 2004	469,169	481,375	323,719	40,236	1,885,000	3,199,499
Additions	-	-	-	328,442	710,000	1,038,442
Reclassification	955,740	1,264,260	-	-	(2,220,000)	-
Written off	-	-	-	(1,120)	-	(1,120)
At 28 February 2005	1,424,909	1,745,635	323,719	367,558	375,000	4,236,821
Accumulated depreciation						
At 1 March 2004	-	40,916	115,388	1,786	-	158,090
Charge for the year	-	13,842	64,744	33,525	-	112,111
Written off	-	-	-	(75)	-	(75)
At 28 February 2005	-	54,758	180,132	35,236	-	270,126
Net book value						
At 28 February 2005	1,424,909	1,690,877	143,587	332,322	375,000	3,966,695
At 29 February 2004	469,169	440,459	208,331	38,450	1,885,000	3,041,409
Depreciation charge for the year ended 29 February 2004	-	9,627	50,572	1,786	-	61,985

Assets under hire purchase

Property, plant and equipment of the Group and of the Company acquired under hire purchase instalment plans are as follows :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At net book value				
Plant and machinery	-	32,933	-	-
Motor vehicles	705,589	694,904	99,203	192,131

Securities

Certain property, plant and equipment of the Group and of the Company with a net book value of RM5,564,686 (2004 : RM14,851,351) and RM375,000 (2004 : RM115,635) respectively are charged to banks as security for bank facilities granted (see Note 11).

The freehold land of the Company with a net book value of RM115,635 (2004 : RM NIL) is charged to the bank as security for bank facilities granted to a subsidiary.

Notes to the Financial Statement

3. Investment in subsidiaries - Company

	2005 RM	2004 RM
Unquoted shares, at cost	18,999,500	12,159,500
Less : Impairment loss	(350,000)	(350,000)
	<u>18,649,500</u>	<u>11,809,500</u>

Details of the subsidiaries are as follows :

Name of Company	Effective Interest		Place of Incorporation	Principal Activities
	2005 %	2004 %		
DXN Marketing Sdn. Bhd.	100	100	Malaysia	Sale of health supplements and other products on direct sales basis
DXN Industries (M) Sdn. Bhd.	100	100	Malaysia	Manufacture of health food supplements and other products
DXN Pharmaceutical Sdn. Bhd.	100	100	Malaysia	Cultivation of ganoderma and mycelium and manufacturing of health supplements and other products
DXN Plantation Sdn. Bhd.	100	100	Malaysia	Dormant
DXN Solutions Sdn. Bhd. (Formerly known as DXN (Penang) Sdn. Bhd.)	100	100	Malaysia	Dormant
DXN Land Sdn. Bhd. (Formerly known as DXN (KL) Sdn. Bhd.)	100	100	Malaysia	Dormant
DXN Comfort Tours Sdn. Bhd.	100	100	Malaysia	Travel agent and tour operator
Reach Star Enterprise Sdn. Bhd.	100	100	Malaysia	Wholesalers and retailing of stationery, household items, hardware toiletries, gift and accessories

Notes to the Financial Statement

3. Investment in subsidiaries - Company (Cont'd)

Name of Company	Effective Interest		Place of Incorporation	Principal Activities
	2005 %	2004 %		
Reach Star Cash & Carry Sdn. Bhd.	100	100	Malaysia	Retailing of stationery, household items, hardware toiletries, gift and accessories
Daxen Biotechnology Pte. Ltd. #	100	-	Peoples' Republic of China	Conduct biotechnology research and development on health food supplements, manufacture of monascus, vinegar, mycelium, and other health food supplements
DXN International Holding Limited ("DXNIHL")	100	100	British Virgin Islands	Investment holding and provision of management services
<i>Subsidiaries of DXNIHL</i>				
DXN (Cyprus) Limited #	100	100	Cyprus	Dormant
DXN International (UK) Limited	100	100	United Kingdom	Dormant
Daehsan (South Africa) Proprietary Limited	100	100	South Africa	Dormant
DXN International (Hong Kong) Limited #	100	100	Hong Kong	Multi-level marketing of health care products
DXN (Singapore) Pte. Ltd. #	100	100	Singapore	Trading in health products
PT Daxen Indonesia #	100	100	Indonesia	Cleansing material industries, formulation of traditional medicines, cosmetics and beverages and selling the products of industries

Notes to the Financial Statement

3. Investment in subsidiaries - Company (Cont'd)

Name of Company	Effective Interest		Place of Incorporation	Principal Activities
	2005 %	2004 %		
DXN International Private Ltd. ("DIPL")	100	100	Labuan	Trading of health food, traditional medicine, all kinds of confectioneries and other food products and investment holding
<i>Branch of DIPL</i>				
DIPL Philippines Branch *	100	100	Philippines	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
<i>Subsidiaries of DIPL</i>				
DXN Herbal Manufacturing (India) Private Limited #	100	100	India	Manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products
Daxen, Inc. ("Daxen")	100	100	United States of America	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
<i>Subsidiary of Daxen</i>				
DXN Mexico, S.A. DE C.V.	99.9	99.9	Mexico	Dormant
<i>Branch of Daxen</i>				
Daxen Canada Branch	100	100	Canada	Trading of health food, traditional medicine, all kinds of confectioneries and other food products

* Audited by member firm of KPMG International.

Not audited by KPMG

Notes to the Financial Statement

4. Investment in an associate - Group

	2005 RM	2004 RM
Unquoted shares, at cost	106,950	106,950
Share of post acquisition reserves	296,030	61,272
	<u>402,980</u>	<u>168,222</u>
Represented by:		
Group's share of net assets other than negative goodwill	632,125	397,367
Negative goodwill	(229,145)	(229,145)
	<u>402,980</u>	<u>168,222</u>

Details of the associate are as follows :

Name of Company	Effective Interest		Place of Incorporation	Principal Activities
	2005 %	2004 %		
Associate of DXN International Holding Limited				
DXN International (Thailand) Company Ltd.	36.75	36.75	Thailand	Import and distribution of consumable health and nutrition products

5. Goodwill on consolidation - Group

	2005 RM	2004 RM
Goodwill on consolidation, at cost	1,774,492	1,774,492
Less : Accumulated amortisation	(197,282)	(19,833)
	<u>1,577,210</u>	<u>1,754,659</u>

Notes to the Financial Statement

6. Other investments

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted shares in Malaysia	107,550	107,550	-	-
Unit trusts				
- Quoted in Malaysia	98,000	98,000	-	-
- Quoted outside Malaysia	1,195,207	1,195,207	1,195,207	1,195,207
	<u>1,400,757</u>	<u>1,400,757</u>	<u>1,195,207</u>	<u>1,195,207</u>
Less : Allowance for diminution in value				
Quoted shares	(69,080)	(58,730)	-	-
Unit trusts				
- Quoted in Malaysia	(57,730)	(53,840)	-	-
	<u>(126,810)</u>	<u>(112,570)</u>	<u>-</u>	<u>-</u>
	<u>1,273,947</u>	<u>1,288,187</u>	<u>1,195,207</u>	<u>1,195,207</u>
Market value				
Quoted shares	38,000	49,000	-	-
Unit trusts				
- Quoted in Malaysia	40,000	44,000	-	-
- Quoted outside Malaysia	1,295,000	1,172,000	1,295,000	1,172,000
	<u>1,295,000</u>	<u>1,172,000</u>	<u>1,295,000</u>	<u>1,172,000</u>

7. Inventories, at cost - Group

	2005 RM	2004 RM
Raw materials	8,648,853	5,355,192
Work-in-progress	1,396,586	1,581,154
Manufactured inventories	4,135,760	8,462,170
Trading inventories	7,163,511	1,059,140
	<u>21,344,710</u>	<u>16,457,656</u>

Notes to the Financial Statement

8. Trade and other receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables				
Corporations in which certain Directors have substantial financial interests	75,880	2,495,417	-	-
Associate	51,538	111,149	-	-
Others	22,344,502	19,270,145	-	-
	<u>22,471,920</u>	<u>21,876,711</u>	<u>-</u>	<u>-</u>
Other receivables, deposits and prepayments				
Amount due from subsidiaries	-	-	44,483,137	50,864,259
Others	12,937,118	9,805,673	37,568	21,584
	<u>12,937,118</u>	<u>9,805,673</u>	<u>44,520,705</u>	<u>50,885,843</u>
	<u>35,409,038</u>	<u>31,682,384</u>	<u>44,520,705</u>	<u>50,885,843</u>

Company

The amount due from subsidiaries relate mainly to payments made on behalf and management fee receivable and is unsecured, interest-free and has no fixed terms of repayment.

9. Cash and cash equivalents

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	5,591,089	3,977,671	669,986	969,365
Cash and bank balances	26,785,303	23,167,543	609,183	1,283,087
	<u>32,376,392</u>	<u>27,145,214</u>	<u>1,279,169</u>	<u>2,252,452</u>

Included in fixed deposits with licensed banks of the Group and of the Company is an amount of RM2,923,316 (2004 : RM3,176,609) and RM300,000 (2004 : RM610,270) respectively which are pledged to the banks for facilities granted to the Group and the Company.

Notes to the Financial Statement

10. Trade and other payables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	6,948,826	6,140,725	-	-
Other payables and accrued expenses				
Amount due to subsidiaries	-	-	74,662	6,584,967
Amount due to Directors	630,995	2,127,220	56,983	300,027
Dividend payable	1,300,072	-	1,300,072	-
Others	12,608,274	10,660,477	232,168	284,190
	14,539,341	12,787,697	1,663,885	7,169,184
	<u>21,488,167</u>	<u>18,928,422</u>	<u>1,663,885</u>	<u>7,169,184</u>

Group and Company

The non-trade amount due to Directors is unsecured, interest-free and has no fixed terms of repayment.

Company

The amount due to subsidiaries relate to payments made on behalf, and is unsecured, interest-free and has no fixed terms of repayment.

Notes to the Financial Statement

11. Borrowings

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current :				
Term loans- secured	164,910	30,762	93,181	-
Bankers' acceptances				
- secured	4,368,118	1,608,000	-	-
Bank overdrafts -				
secured	150,969	-	-	-
Hire purchase				
obligations	202,729	227,177	24,000	29,525
	<u>4,886,726</u>	<u>1,865,939</u>	<u>117,181</u>	<u>29,525</u>
Non-current :				
Unsecured loan	-	4,294,136	-	-
Term loans - secured	1,627,023	262,185	149,107	-
Hire purchase				
obligations	243,091	174,319	62,000	86,000
	<u>1,870,114</u>	<u>4,730,640</u>	<u>211,107</u>	<u>86,000</u>

The secured bankers' acceptances and bank overdrafts are subject to interest rates at 1.00% to 2.50% (2004 : 1.00% to 1.50%) per annum above the lenders' base lending rates and secured by way of fixed charges over certain property, plant and equipment and pledged fixed deposits of the Group and the Company respectively.

Terms and debt repayment schedule

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group					
2005					
Secured term loans					
Interest at 3.72% to 8.00% per annum flat	<u>1,791,933</u>	<u>164,910</u>	<u>233,323</u>	<u>327,843</u>	<u>1,065,857</u>

Notes to the Financial Statement

11. Borrowings (cont'd)

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Group					
2004					
Secured term loans					
Interest at 4.75% to 8.15% per annum	292,947	30,762	34,845	124,950	102,390
Unsecured loan					
Interest at 6.5% per annum flat	4,294,136	-	-	-	4,294,136
	<u>4,587,083</u>	<u>30,762</u>	<u>34,845</u>	<u>124,950</u>	<u>4,396,526</u>
Company					
Secured term loan					
2005					
Interest at 3.72% per annum flat	<u>242,288</u>	<u>93,181</u>	<u>149,107</u>	-	-
2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The secured term loans of the Group and of the Company are secured by way of fixed charges over certain property, plant and equipment of the Group and the Company respectively (see Note 2).

Notes to the Financial Statement

11. Borrowings (cont'd)

Hire purchase obligations

Hire purchase obligations are payable as follows:

	← Payments RM	2005 Interest RM	→ Principal RM	← Payments RM	2004 Interest RM	→ Principal RM
Group						
Less than 1 year	229,108	26,379	202,729	254,898	27,721	227,177
Between 1 and 5 years	284,973	41,882	243,091	199,832	25,513	174,319
	<u>514,081</u>	<u>68,261</u>	<u>445,820</u>	<u>454,730</u>	<u>53,234</u>	<u>401,496</u>
Company						
Less than 1 year	28,020	4,020	24,000	34,462	4,937	29,525
Between 1 and 5 years	72,385	10,385	62,000	100,405	14,405	86,000
	<u>100,405</u>	<u>14,405</u>	<u>86,000</u>	<u>134,867</u>	<u>19,342</u>	<u>115,525</u>

The hire purchase obligations are subject to fixed interests ranging from 3.35% to 5.00% (2004 : 3.00% to 11.40%) per annum.

12. Share capital

	2005 RM	2004 RM
Ordinary shares		
Authorised :		
400,000,000 shares of RM0.25 each	<u>100,000,000</u>	<u>100,000,000</u>

Notes to the Financial Statement

12.Share capital (cont'd)

	No. of ordinary shares	Par Value RM	RM
Issued and fully paid :			
Balance as at 1 March 2003	375,000	1.00	375,000
Share split	1,125,000	-	-
	<u>1,500,000</u>	0.25	<u>375,000</u>
Issue of shares			
- Bonus issue	122,000,000	0.25	30,500,000
- Acquisition of subsidiaries and associate	17,169,000	0.25	4,292,250
- Rights issue	89,331,000	0.25	22,332,750
- Public issue	10,000,000	0.25	2,500,000
- ESOS	52,000	0.25	13,000
	<u>240,052,000</u>	0.25	<u>60,013,000</u>
Balance at 29 February 2004			
Balance at 1 March 2004	240,052,000	0.25	60,013,000
Issue of shares - ESOS	702,000	0.25	175,500
	<u>240,754,000</u>	0.25	<u>60,188,500</u>
Balance at 28 February 2005			

Details of the share options are disclosed in Note 18 to the financial statement.

13.Share premium

The share premium account arose from the public issue and the issue of shares pursuant to the Company's ESOS and is presented net of share issue expenses.

14.Negative goodwill - Group

	2005 RM	2004 RM
Balance as at 1 March	10,706,270	3,943,101
Acquisition of subsidiaries	-	6,763,169
	<u>10,706,270</u>	<u>10,706,270</u>
Balance as at 28/29 February		

Notes to the Financial Statement

15. Deferred tax

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deferred tax liabilities	1,249,053	399,000	98,000	-
Deferred tax assets	(188,245)	(591,200)	-	-
At 28/29 February	1,060,808	(192,200)	98,000	-

The recognised deferred tax liabilities/(assets) for the Group are in respect of the following:

	At 1.3.2004 RM	Income statement RM	Exchange difference RM	At 28.2.2005 RM
Group				
Property, plant and equipment	396,000	531,434	-	927,434
Unutilised tax losses	(472,021)	8,703	6,062	(457,256)
Provision	(92,530)	377,943	155,596	441,009
Unrealised foreign exchange loss	(23,649)	173,441	(171)	149,621
	(192,200)	1,091,521	161,487	1,060,808
Company				
Property, plant and equipment	4,000	94,345	-	98,345
Unutilised tax losses	(14,479)	-	-	(14,479)
Provisions	(19,094)	19,094	-	-
Unrealised foreign exchange loss	29,573	(15,439)	-	14,134
	-	98,000	-	98,000

Deferred tax liabilities and assets are offset when there is legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authorities.

Notes to the Financial Statement

16. Revenue

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Invoiced value of goods sold less discounts and returns	169,808,607	104,154,184	-	-
Gross dividends from subsidiaries	-	-	9,000,000	2,777,778
Management fee	-	120,000	5,200,000	3,520,000
	<u>169,808,607</u>	<u>104,274,184</u>	<u>14,200,000</u>	<u>6,297,778</u>

17. Other operating income/(Operating expenses)

Other operating income/(operating expenses) is arrived at :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
After charging :				
Auditors' remuneration				
- current year	167,105	178,504	18,000	13,000
- prior year	5,400	5,000	5,000	5,000
Directors' emoluments				
- Fees	214,110	136,154	204,000	136,154
- Others	1,694,692	1,334,914	1,301,239	1,334,914
Amortisation of goodwill on consolidation	177,449	19,833	-	-
Bad debts written off	7,719	97,364	-	-
Plant and equipment written off	14,264	20,220	1,045	-
Allowance for doubtful debts	860,139	-	-	-
Allowance for diminution in value of other investments	14,240	-	-	-
Loss on foreign exchange - realised	178,709	-	6,458	-
- unrealised	-	162,024	-	-
Rental of premises	2,278,081	1,139,113	20,633	-
Other investments written off	-	1,255	-	-
Hire of motor vehicle	89,448	-	-	-
Rental of office equipment and facility	8,094	-	-	-

Notes to the Financial Statement

17. Other operating income/(Operating expenses) (Cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
and crediting :				
Rental income on premises	171,048	26,200	24,000	24,000
Gain on foreign exchange - realised	-	573,501	-	-
- unrealised	547,427	-	-	-
Dividend income on quoted shares	2,648	550	-	-
Interest income	319,026	176,765	38,495	103,440
Gain on disposal of plant and equipment	9,659	68,367	-	-
Royalty income	144,400	2,773,888	-	-
Reversal of allowance for diminution in value of other investments	-	21,115	-	-

The estimated monetary value of benefits receivable by certain Directors otherwise than in cash from the Group and the Company amounted to RM35,100 (2004 : RM35,100).

18. Staff costs

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff Cost (including executive Director's remuneration)	19,761,083	12,975,383	3,729,939	2,623,705

Included in staff costs of the Group and of the Company is RM1,537,746 (2004 : RM1,252,102) and RM385,590 (2004 : RM298,385) respectively representing contributions made to the Employees' Provident Fund.

The number of employees of the Group and of the Company (including non-executive Directors) at the end of the year was 1,031 (2004 : 935) and 50 (2003 : 38) respectively.

Notes to the Financial Statement

18. Staff costs (cont'd)

Equity compensation benefits

Share option plan

The Group offers vested share options over ordinary shares to its executives in the Group. Movements in the number of share options held by employees are as follows:

	Group and Company	
	2005	2004
Outstanding at 1 March	3,922,000	-
Granted	3,447,000	3,974,000
Exercised	(702,000)	(52,000)
Outstanding at 28/29 February	6,667,000	3,922,000
Details of share options granted during the year :		
Expiry date	29.10.2008	29.10.2008
Exercise price per ordinary share (RM)	0.85	0.82
Aggregate proceeds if shares are issued (RM'000)	2,930	3,259
Details of share options exercised during the year :		
Expiry date	29.10.2008	29.10.2008
Exercise price per ordinary share (RM)	0.82/0.85	0.82
Aggregate issue proceeds (RM'000)	576	43
Fair value at date of issue (RM'000)	651	49

The Group and the Company received proceeds of RM576,060 in respect of the 702,000 options exercised during the year. RM175,500 was credited to share capital and RM400,560 was credited to share premium.

19. Finance costs

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Bank overdrafts	3,690	262,192	53	29,098
Hire purchase	42,289	93,051	4,937	7,175
Term loans	315,258	608,425	-	26,415
Bankers' acceptances	100,680	-	-	-
Others	58,464	21,830	-	-
	520,381	985,498	4,990	62,688

Notes to the Financial Statement

20. Tax expense

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense				
Based on results for the year				
- Malaysian	2,599,608	1,177,310	17,000	777,778
- Foreign	1,976,062	2,157,380	-	-
	4,575,670	3,334,690	17,000	777,778
Prior year	25,772	83,036	32,313	-
	4,601,442	3,417,726	49,313	777,778
Deferred tax expense				
- Current year	602,217	(168,106)	79,000	-
- Prior year	489,304	(380,000)	19,000	-
	1,091,521	(548,106)	98,000	-
Share of profit of an associate	1,278	-	-	-
	5,694,241	2,869,620	147,313	777,778
Reconciliation of effective tax expense				
Profit before tax	27,758,576	19,314,865	8,901,690	2,725,149
Income tax using				
Malaysian tax rate	7,772,401	5,408,163	2,492,473	763,042
Non-deductible expenses	297,782	324,332	123,527	14,736
Tax exempt dividend	-	-	(2,520,000)	-
Tax incentive	(1,561,572)	(1,606,627)	-	-
Income exempted from tax	(89,653)	(11,492)	-	-
Effect of different tax				
rates in foreign jurisdictions	(1,293,791)	(947,792)	-	-
Losses not available for set off	41,084	-	-	-
Others	12,914	-	-	-
	5,179,165	3,166,584	96,000	777,778
Under/(Over) provision				
in prior years	515,076	(296,964)	51,313	-
	5,694,241	2,869,620	147,313	777,778

Notes to the Financial Statement

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank/distribute its entire retained profits at balance sheet date if paid out as dividends.

21.Earnings per share - Group

Basic earnings per share

The earnings per share has been calculated based on the net profit attributable to shareholders of RM22,064,335 (2004 : RM16,445,245) and the weighted average number of ordinary shares outstanding during the financial year of 240,463,707 (2004 : 185,415,740).

Weighted average number of ordinary shares

	2005	2004
Issued ordinary shares at beginning of year	240,052,000	375,000
Effect of shares issued	-	10,019,170
Effect of share split	-	1,125,000
Bonus issue	-	122,000,000
Rights issue	-	47,724,781
Public issue	-	4,164,384
ESOS	411,707	7,405
Weighted average number of ordinary shares	240,463,707	185,415,740

Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM22,064,335 (2004 : RM16,445,245) and the weighted average number of ordinary shares outstanding during the year of 240,658,866 (2004 : 185,512,123) calculated as follows:

	2005	2004
Weighted average number of ordinary shares as above	240,463,707	185,415,740
Effect of ESOS	195,159	96,383
Weighted average number of ordinary shares(diluted)	240,658,866	185,512,123

Notes to the Financial Statement

22.Dividends

	2005 RM	2004 RM
Final dividend paid :		
2004 - 5% less 28% tax based on 240,503,000 ordinary shares of RM0.25 each	2,164,527	-
Interim dividend of 3% less 28% tax based on 240,754,000 ordinary shares of RM0.25 each (2004 : 3% less 28% tax)	1,300,072	1,296,000
	<u>3,464,599</u>	<u>1,296,000</u>

The proposed final dividend of 5% less 28% tax in respect of the year ended 28 February 2005 has not been accounted for in the financial statements. The dividend is subject to the approval of shareholders at the forth coming Annual General Meeting.

The net dividends per ordinary share as disclosed in the Income Statement takes into account of the final proposed dividend for the financial year ended 28 February 2005.

23.Segmental information - Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group's business segment mainly comprise of the cultivation of Ganoderma and Mycelium and the manufacturing and sale of health supplements and other products on a direct sales basis.

Business segmental information has therefore not been prepared as all the Group's revenue, operating income, assets employed, liabilities, capital expenditure, depreciation and non-cash expenses are mainly confined to one business segment.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

Notes to the Financial Statement

	Malaysia RM	India RM	Philippines RM	Others RM	Eliminations RM	Consolidated RM
2005						
Revenue from external customers by location of customers	49,023,545	23,959,127	110,460,680	40,671,528	(54,306,273)	169,808,607
Segment assets by location of assets	74,760,981	25,753,806	16,672,703	21,375,916	-	138,563,406
Capital expenditure by location of assets	10,623,901	90,342	388,662	2,704,813	-	13,807,718
2004						
Revenue from external customers by location of customers	32,747,077	15,062,306	58,740,003	26,762,197	(29,037,399)	104,274,184
Segment assets by location of assets	65,948,369	23,096,668	14,909,048	10,988,452	-	114,942,537
Capital expenditure by location of assets	5,162,600	106,288	58,182	204,821	-	5,531,891

24. Significant related companies transactions - Group/Company

24.1 Related party relationships

- i) Subsidiaries and associate of the Company as disclosed in Note 3 and Note 4 respectively.
- ii) Related parties
 - a) Tastiway Sdn. Bhd. in which, one of the Directors and substantial shareholders is Mr. Lim Beng Lee, the brother of Dato' Dr. Lim Siow Jin, Mr. Lim Boon Yee and Ms. Lim Yew Lin.
 - b) Skylor Enterprise in which, Ms. Lim Chea Lin and Mr. Lee Chiew Khim, the sister and brother-in-law of Dato' Dr. Lim Siow Jin, Mr. Lim Boon Yee and Ms. Lim Yew Lin are the shareholders.
 - c) Daxin Gano (Thailand) Co. Ltd. in which, Dato' Dr. Lim Siow Jin is the substantial shareholder.
 - d) Jumping Horse Trading Co. Ltd. and DXN International (Australia) Proprietary Ltd. in which, Mr. Lim Boon Yee is a Director and substantial shareholder.
 - e) Panaroma Network Sdn. Bhd. in which, Mr. Lim Boon Yee and Ms. Lim Yew Lin are also Directors and substantial shareholders.

Notes to the Financial Statement

24.2 Related party transactions

24.2.1 There were no transactions with the Directors and key management personnel other than the following :

- i) Remuneration package paid to them in accordance with the terms and conditions of their appointment.
- ii) Share options granted to key management personnel

The options over ordinary shares of the Company granted to key management personnel of the Group during the year is as follows:

	Number of options over ordinary shares of RM0.25
Dato' Dr. Lim Siow Jin	360,000
Lim Boon Yee	600,000
Lim Yew Lin	400,000

The share options were given to these key management personnel under the same terms and conditions as those offered to other employees of the Group pursuant to the ESOS.

24.2.2 Transactions with subsidiaries:

	2005 RM	2004 RM
Company		
Dividend income from subsidiaries	9,000,000	2,777,778
Management fees receivable from subsidiaries	5,200,000	3,520,000
Rental of premises receivable from a subsidiary	24,000	24,000

24.2.3 Transactions with related parties

	2005 RM	2004 RM
Company		
Purchase of equipment - Panaroma Network Sdn. Bhd.	122,302	-
Group		
Sale of manufactured goods		
- DXN International (Thailand) Co. Ltd.	1,568,440	932,104
- DXN International (Australia) Proprietary Ltd.	1,044,266	430,891
- Daxin Gano (Thailand) Co. Ltd.	3,048,693	7,979,484
- Jumping Horse Trading Co. Ltd.	79,330	50,641

Notes to the Financial Statement

24.2.3 Transactions with subsidiaries: (cont'd)

Group	2005 RM	2004 RM
Sale of air tickets		
- Tastiway Sdn. Bhd.	13,221	-
Purchase of raw materials/equipments		
- Tastiway Sdn. Bhd.	1,922,130	1,055,682
- Panaroma Network Sdn. Bhd.	601,627	118,977
- Skylor Enterprise	-	407,479
Sale of manufactured goods		
- DXN International (Hong Kong) Limited	-	* 260,910
- DXN International Private Ltd.	-	* 4,501,694
- DXN (Singapore) Pte. Ltd.	-	* 702,923
- Daxen, Inc.	-	# 436,794
- DXN Herbal Manufacturing (India) Private Limited	-	# 398,240
Royalty income received		
- DXN International Private Ltd.	-	* 2,773,888
Sales commission paid		
- DXN (Singapore) Pte. Ltd.	-	* 90,095
Management fee received		
- Daxen, Inc.	-	# 643,432

* Transactions from 1 March 2003 to 31 July 2003 prior to acquisition by DXN International Holding Limited.

Transactions from 1 March 2003 to 31 July 2003 prior to acquisition by DXN International Private Limited.

24.2.4 The Directors are of the opinion that the above transactions were entered into the normal course of business and the terms of which have been established on a negotiated basis.

24.2.5 There are no individually significant outstanding balances arising from transactions other than normal transactions in the course of business. The non-trade balances with subsidiaries and related parties are disclosed in Note 8 and Note 10 to the financial statements respectively.

Notes to the Financial Statement

25. Capital commitment

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Property, plant and equipment				
Approved but not contracted for	1,307,200	2,815,000	780,000	-
Contracted but not provided for in the financial statement	3,087,628	3,535,000	812,500	-

26. Operating leases

Leases as lessee

Total future minimum lease payments under non cancellable operating leases are as follows :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Less than one year	1,505,426	1,883,031	-	20,633
Between 1 and 5 years	394,540	1,463,326	-	-
	1,899,966	3,346,357	-	20,633

The Group leases a number of shop offices and shop lots under operating leases. The leases typically run for an initial periods ranging from one (1) to five (5) years with an option to renew the lease upon expiry of the initial lease periods.

None of the lease contain contingent rentals.

27. Contingent liabilities

a) Corporate guarantees

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Guarantees given to financial institutions for facilities granted to :				
- Subsidiaries	-	-	5,069,663	5,750,000

Notes to the Financial Statement

27. Contingent liabilities (cont'd)

b) Continuing financial support - Company

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due.

28. Financial instruments

Financial risk management objectives and policies

Exposure to credit, foreign currency, interest rate and liquidity risks arises in the normal course of the Group's and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised as below:

Credit risk

Management has a credit policy in place to mitigate the risk and the exposure to credit risk is monitored on a continuing basis. Credit evaluations are performed on all potential debtors prior to extending a credit term.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effect of fluctuations in cash flows.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily the US Dollars, Thai Baht, Indian Rupiah and Philippine Pesos.

The Group uses forward exchange contracts to hedge its foreign currency risk and only enters into forward exchange contracts with maturities of less than one year. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

The Group is also exposed to foreign currency risk in respect of their investments in foreign subsidiaries. The Group does not hedge this exposure by having foreign currency borrowings in view of the insignificant amount of investment in foreign subsidiaries.

Interest rate risk

The Group and the Company place funds with reputable licensed banks to generate interest income. The Group and the Company manage their interest rate risk by placing such balances on varying maturities which are monitored at regular intervals. On the other hand, the Group and the Company borrow for operations at variable rates using bank overdrafts facilities and term loans to finance the capital expenditure and daily working capital requirements.

Notes to the Financial Statement

28. Financial instruments (cont'd)

Effective interest rates and repricing analysis

In respect of interest-earning financial asset and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the years in which they reprice or mature, whichever is earlier.

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
Group					
2005					
Financial asset					
Fixed deposits with licensed banks	4.35	5,591,089	5,591,089	-	-
Financial liabilities					
Secured term loans					
- fixed rate	7.14	1,791,933	164,910	561,166	1,065,857
Secured bank overdrafts	8.04	150,969	150,969	-	-
Secured bankers' acceptances	2.98	4,368,118	4,368,118	-	-
2004					
Financial asset					
Fixed deposits with licensed banks	4.81	3,977,671	3,977,671	-	-
Financial liabilities					
Secured term loans					
- fixed rate	4.25	292,947	30,762	159,795	102,390
Unsecured loan					
- fixed rate	6.50	4,294,136	-	-	4,294,136
Secured bankers' acceptances	3.85	1,608,000	1,608,000	-	-

Notes to the Financial Statement

28. Financial instruments (cont'd)

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
Company					
2005					
Financial asset					
Fixed deposits with licensed banks	3.70	669,986	669,986	-	-
Financial liability					
Secured term loan - fixed rate	3.72	242,288	242,288	-	-
2004					
Financial asset					
Fixed deposits with licensed banks	3.00	969,365	969,365	-	-

Fair values*Recognised financial instruments*

The carrying amounts approximately fair value due to the relatively short term nature of these financial instruments in respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings.

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at 28/29 February are shown as below:

	Carrying amount		Fair value	
	2005 RM	2004 RM	2005 RM	2004 RM
Group				
Secured term loans	1,791,933	292,947	*1,792,000	*293,000
Unsecured loan	-	4,294,136	-	*4,294,000
Company				
Secured term loan	242,289	-	*243,000	-



Notes to the Financial Statement

* It is not practicable to estimate the fair value of the secured term loans and unsecured loan without incurring excessive time and costs. However, the Directors believe that the fair value of these financial liabilities approximates the carrying value.

The fair value of the Group's and of the Company's quoted investments represent their quoted bid price at balance sheet date and are disclosed in Note 6 to the financial statements.

Unrecognised financial instruments

The valuation of financial instrument not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The constructed amount and fair value of financial instruments not recognised in the balance sheet as at 28/29 February are as follows :

	2005 RM'000	2004 RM'000
Forward foreign exchange contracts		
- contractual value	3,633	-
- unrealised losses	(25)	-
Fair value	3,608	-

29. Significant events during the financial year

The following events took place during the financial year:

- i) The Company incorporated a wholly-owned subsidiary in the Peoples' Republic of China, Daxen Biotechnology Pte. Ltd. ("DBPL"). The authorized and paid up share capital of DBPL is RM6,840,000 and RM6,839,840 respectively.

The principal activities of DBPL are disclosed in note 3 to the financial statements.

- ii) On 17 January 2005, the second grant of share options totalling 3,447,000 ordinary shares of RM0.25 each under the Company's ESOS was made to the eligible executives of the Group at an option price of RM0.85 per ordinary share.

30. Events subsequent to the balance sheet date

Subsequent to the balance sheet date, the Company completed the following events :

- (a) 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
- (b) disposal of the Company's entire interest in Reach Star Cash & Carry Sdn. Bhd. for a total cash consideration of Ringgit Malaysia Three Hundred Thousand only (RM300,000).

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
DXN Pharma H.S. (M) 375 P.T. 1306 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Industrial land with single storey detached factory	5/ Freehold	280,658/ 33,971	4,689,657
DXN Pharma H.S. (M) 376 P.T. 1307 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Industrial land with a single storey detached factory, 2 units of single storey detached factories and ancillary buildings	7/ Freehold	172,653/ 75,787	1,829,639
DXN Pharma H.S. (M) 377 P.T. 1308 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	70,193/ Nil	59,640
DXN Pharma H.S. (M) 596 to 598 P.T. 1561 to 1563 <i>(Formerly known as H.S. (M) 295 P.T. 1304)</i> Salit Mukim of Malau District of Kubang Pasu Kedah	Industrial land with 2 single storey detached Mycelium farms and 19 Ganoderma sheds	5/ Freehold	187,733/ 109,067	3,387,424
DXN Pharma Geran Mukim 48 Lot 946, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	67,871/ Nil	35,000

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
DXN Pharma Geran Mukim 72 Lot 947, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	231,521/ Nil	681,171
DXN Pharma Geran Mukim 639 Lot 761, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	141,056/ Nil	75,000
DXN Pharma Geran Mukim 986 P.T.1737, (Formerly known as Geran Mukim 418, P.T.1317) Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	206,474/ Nil	110,000
DXN Pharma Geran Mukim 326 Lot 1108 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Uncultivated agricultural land with the middle portion acquired for gas pipe line reserve	Nil/ Freehold	41,208/ Nil	194,680
DXN Pharma Geran Mukim 332 Lot 1092 Padang Panjang Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	330,664/ Nil	500,000

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
DXN Pharma Geran Mukim 298 Lot 1088 Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	309,463/ Nil	429,589
DXN Pharma Geran Mukim 978 Lot 1319, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	234,438/ Nil	166,504
DXN Pharma Geran Mukim 740 Lot 618 Lubok Ipoh Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	307,396/ Nil	446,568
DXN Pharma Geran Mukim 741 Lot 619 Lubok Ipoh Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	335,425/ Nil	465,607
DISB Pajakan Mukim 47 Lot 1546 Perusahaan Mergong 1 Mukim of Mergung District of Kota Setar Kedah	Single storey detached factory with double storey office annexe	23/ Leasehold expiring on 27.10.2039	10,895/ 10,253	414,615
DISB Lots 1, 2 and 3 Bukit Kayu Hitam Industrial Estate Mukim of Sungai Laka District of Kubang Pasu Kedah	3 parcels of undeveloped industrial lands	Nil/ Leasehold expiring on 19.01.2056	322,344/ Nil	1,057,367

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
DMSB Geran 42371 Lot 785 Bandar Darul Aman (Formerly known as H.S.(D) 309/95 P.T.No.3328 Mukim of Naga) District of Kubang Pasu Kedah	Single storey detached house	8/ Freehold	6,454/ 3,190	306,107
DMSB GM1221 Lot 5893 Akar Peluru District of Kota Setar Kedah	Commercial land with a 3 storey detached office building	10/ Freehold	2,077/ 5,672	463,552
DMSB H.S.(D) 1079 Lot P.T. 9132 Mukim of Sungai Buloh District of Petaling Selangor	4 storey terrace shopoffice	28/ Freehold	1,650/ 5,742	1,280,278
DXN H.S.(D) 169324 Lot No.PTD 85210 Mukim of Plentong District of Johor Bahru Johor	3 storey terraced shophouse	12/ Freehold	2,544/ 5,644	635,730
DXN Geran 42154 Lot 566 Bandar Darul Aman (Formerly known as H.S.(D) 92/95 P.T.No.3111 <i>Mukim of Naga</i>) District of Kubang Pasu Kedah	Undeveloped residential land	Nil/ Freehold	7,867/ Nil	115,635

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
DXN Geran Mukim 16 Lot 832, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	245,842/ Nil	148,635
DXN H.S.(M) 199 to 206 PT4546 to 4553 Alor Bakong Mukim of Pumpung District of Kota Setar Kedah	8 shoplots	1/ Freehold	16,619/ 16,619	2,215,786
DCTSB H.S.(D) 13340 Lot 1319 Seksyen 16 Bandar Georgetown District of Timor Laut Pulau Pinang (Formerly known as Grant (1 st Grade) No 36736, Lot 827, Section 16, Georgetown, Nort East District, <i>Penang</i>)	Commercial land with a 2 storey detached office building	14/ Freehold	973/ 1916	237,080
RSESB G41 & G42 Ground Floor, Kompleks Star Parade Jalan Teluk Wanjah 05200 Alor Star Kedah	2 shoplots	10/ Leasehold expiring on 16.08.2094	915/ 915	375,003
RSESB G-10,11,13,14 Ground Floor, Kompleks Star Parade Jalan Teluk Wanjah 05200 Alor Star Kedah	4 shoplots	10/ Leasehold expiring on 16.08.2094	1841/ 1841	1,640,681

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
PT Daxen HGB No. 46 Jalan Pancasila IV No.1 Desa Cicadas Kecamatan Gunung Putri Kabupaten Bogor West Java	Single storey detached factory, a single storey detached house, two stores and a guard house	6/ Leasehold expiring on 29.11.2024	44,347/ 14,876	688,765
PT Daxen HGB No. 279 Lot No. B11B Jalan Jababeka VIII A Jababeka Industrial Estate 1 Cibitung Bekasi	Single storey terraced factory building	6/ Leasehold expiring on 29.06.2022	14,305/ 10,769	94,936
PT Daxen HGB No. 1772, 1773 1774, 1775, 1776, 1777 and 1778 Gedung Indra Sentral Units A-B, C-D, M, N, O, P, Q, Jalan Letjen Suprpto No.60 Cempaka Putih Central Jakarta 10520	Shop offices	7 to 9/ Leasehold expiring on 3.11.2013	6,975/ 32,787	1,090,860
PT Daxen Tower C Unit 14-01 Wisma Gading Permai Apartment Kelapa Gading Jakarta 14240	3 bedroom apartment	7/ Leasehold expiring on 30.07.2021	Nil/ 846	94,316
PT Daxen Tower A Unit 12-05 Wisma Gading Permai Apartment Kelapa Gading Jakarta 14240	2 bedroom apartment	7/ Leasehold expiring on 30.07.2021	Nil/ 379	23,460

List of Properties

Registered owner/ Location	Description/ Existing use	Approximate age of building years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 28.02.2005 RM
PT Daxen HGB No. 4 Desa Kanoman Kecamatan Cibeber Kabupaten Cianjur West Java	Uncultivated agricultural land	Nil/ Leasehold expiring on 24.9.2031	317,858/ Nil	103,890
PT Daxen HGB No. 1672 Jalan Ahmad Yani No.21-N Makassar Sulawesi Selatan 90174	Shop office	11/ Leasehold expiring on 23.06.2014	958/ 2,583	110,587
DXN Herbal R.S. No. 141/4 & 142/5 Thiruvandar Koil Village Mannadipet Commune Pondicherry Union Territory	Industrial land with single storey detached factory	3/ Freehold	107,600/ 18,630	2,367,614
DXN Herbal R.S. No. 152/5, 152/6, 141/4, 143/4 & 143/8A Thiruvandar Koil Village Mannadipet Commune Pondicherry Union Territory	Agricultural land	Nil/ Freehold	673,114/ Nil	1,344,395
Daxen Biotech 311 Jie Fang Road Gutian County Fujian State Republic People of China	Industrial land	30/ Leasehold expiring on 07.02.2055	304,322	2,359,716



Statistics on Shareholdings

SHAREHOLDINGS STATISTICS - As at 23 June 2005

AUTHORISED SHARE CAPITAL	: RM100,000,000
ISSUED AND FULLY PAID UP CAPITAL	: RM 60,191,000
CLASS OF SHARE	: Ordinary shares of RM0.25 each fully paid
VOTING RIGHT	: On a show of hands - one vote for every shareholder
	: On a poll - one vote for every ordinary share held

Breakdown of shareholdings

Shareholdings	No. of shareholders	% of shareholders	No. of Shares	% of Issued Share Capital
Less than 100	2	0.05	100	0
100 - 1,000	908	24.56	753,000	0.3128
1,001 - 10,000	2,169	58.67	9,569,429	3.9746
10,001 - 100,000	507	13.71	15,980,100	6.6372
100,001 - 12,038,199	109	2.96	81,347,771	33.7873
12,038,200 - 240,764,000	2	0.05	133,113,600	55.288
TOTAL	3,697	100.00	240,764,000	100

Thirty Largest Shareholders

Name	No. of Shares	% of Issued Share Capital
1 DXN GROUP SDN. BHD.	103,378,300	42.9376
2 GELOMBANG JASA SDN. BHD.	29,735,300	12.3504
3 LIM BOON YEE	10,183,100	4.2295
4 LEMBAGA TABUNG ANGKATAN TENTERA	10,157,000	4.2186
5 FUSION EXTRAS SDN. BHD.	8,078,771	3.3555
6 JERNEH INSURANCE BHD.	3,000,000	1.246
7 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD	2,870,000	1.192
GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD		
8 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD	2,512,000	1.0433
OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD		
9 CITICORP NOMINEES (TEMPATAN) SDN. BHD.	2,500,000	1.0384
PLEDGED SECURITIES ACCOUNT FOR LIM BOON YEE		
10 TEMASEK SEJATI SDN. BHD.	2,003,000	0.8319
11 MAYBAN NOMINEES (TEMPATAN) SDN. BHD.	2,000,000	0.8307
MAYBAN TRUSTEES BERHAD FOR HIDDEN TREASURES FUND		
12 YEO KHEE NAM	1,990,000	0.8265
13 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD	1,905,000	0.7912
GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD		
14 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD	1,900,000	0.7892
GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD		
15 TIMELESS IMAGE SDN. BHD.	1,400,000	0.5815
16 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD	1,290,000	0.5358
OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD		
17 HSBC NOMINEES (TEMPATAN) SDN. BHD.	1,084,000	0.4502
HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK		
18 LIM YEW LIN	1,052,000	0.4369
19 MAYBAN NOMINEES (TEMPATAN) SDN. BHD.	1,000,000	0.4153
MAYBAN TRUSTEES BERHAD FOR		
AMANAH SAHAM BANK ISLAM TABUNG PERTAMA		
20 SALINA BINTI UMAR	1,000,000	0.4153
21 HSBC NOMINEES (ASING) SDN. BHD.	1,000,000	0.4153
HSBC-FS FOR PHEIM-AIZAWA ASIA FUND		

Statistics on Shareholdings

22	OSK NOMINEES (TEMPATAN) SDN. BERHAD EON FINANCE BERHAD FOR TENGKU FARITH RITHAUDDEEN	917,500	0.3811
23	OSK NOMINEES (TEMPATAN) SDN. BERHAD EON FINANCE BERHAD FOR AIMI AIZAL BIN NASHARUDDIN	885,000	0.3676
24	GOH KEAN CHUAN	870,000	0.3613
25	HRH SULTAN HJ ABDUL HALIM MUADZAM SHAH	806,800	0.3351
26	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR LIM BENG LEE	731,100	0.3036
27	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD	595,000	0.2471
28	CHEAH SEE HAN	592,700	0.2462
29	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD	578,000	0.2401
30	TEH CHAI PENG	550,200	0.2285
TOTAL:		196,564,771	81.6421

SUBSTANTIAL SHAREHOLDERS - As per Register of Substantial Shareholders as at 23 June 2005

Substantial Shareholder	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Dato' Dr. Lim Siow Jin	-	-	105,381,300@	43.7695
2. Datin Leong Bee Ling	-	-	103,378,300#	42.9376
3. DXN Group Sdn. Bhd.	103,378,300	42.9376	-	-
4. Gelombang Jasa Sdn. Bhd.	29,735,300	12.3504	-	-
5. Tengku Farith Bin Rithauddeen	917,500	0.3811	29,735,300*	12.3504
6. Azmi Bin Ahmad	545,000	0.2264	29,735,300*	12.3504
7. Aimi Aizal Nasharuddin	945,000	0.3925	29,735,300*	12.3504
8. Lim Boon Yee	12,683,100	5.2679	2,003,000^	0.8319

@ Deemed interest by virtue of holding more than 15% in the shares of DXN Group Sdn. Bhd. and Temasek Sejati Sdn. Bhd.

Deemed interest by virtue of holding more than 15% in the shares of DXN Group Sdn. Bhd.

* Deemed interest by virtue of holding more than 15% in the shares of Gelombang Jasa Sdn. Bhd.

^ Deemed interest by virtue of holding more than 15% in the shares of Temasek Sejati Sdn. Bhd.

STATEMENT OF DIRECTORS' SHAREHOLDINGS - As per Register of Directors' Shareholdings as at 23 June 2005

Name of Director	Ordinary shares of RM0.25 each				No. of unexercised ESOS options
	Direct	%	Indirect	%	
Dato' Dr. Lim Siow Jin	-	-	105,381,300@	43.7695	720,000
Datin Leong Bee Ling	-	-	103,378,300#	42.9376	-
Lim Boon Yee	12,683,100	5.2679	2,003,000^	0.8319	1,400,000
Lim Yew Lin	1,052,000	0.4369	-	-	800,000
Tengku Farith Bin Rithauddeen	917,500	0.3811	29,735,300*	12.3504	-
Dato Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	-	-	-	-	-
Poo Ah An	100,000	0.0415	-	-	-
Ooi Soo Kok	15,000	0.0062	-	-	-

@ Deemed interest by virtue of holding more than 15% in the shares of DXN Group Sdn. Bhd. and Temasek Sejati Sdn. Bhd.

Deemed interest by virtue of holding more than 15% in the shares of DXN Group Sdn. Bhd.

* Deemed interest by virtue of holding more than 15% in the shares of Gelombang Jasa Sdn. Bhd.

^ Deemed interest by virtue of holding more than 15% in the shares of Temasek Sejati Sdn. Bhd.

By virtue of their indirect interest in the shares of the Company, Dato' Dr. Lim Siow Jin, Datin Leong Bee Ling and Tengku Farith Bin Rithauddeen are also deemed interested in the shares of all subsidiaries during the financial year to the extent the Company has an interest.

Notice of Ninth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of DXN HOLDINGS BHD. ("the Company") will be held at Evergreen Laurel Hotel, Laurel 1 (Level 1), No. 53, Persiaran Gurney, 10250 Penang on Thursday, 18 August 2005 at 10.00 a.m. for the following purposes:-

- | | Ordinary Resolution |
|--|---------------------|
| 1. To receive and adopt the Financial Statements of the Company and the Group for the year ended 28 February 2005 and the Reports of the Directors and Auditors thereon. | 1 |
| 2. To re-elect the following Directors who retire pursuant to Article 131 of the Company's Articles of Association: | |
| i) Ms. Lim Yew Lin | 2 |
| ii) Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah | 3 |
| iii) Tengku Farith Bin Rithauddeen | 4 |
| 3. To declare and approve the payment of a final dividend of 5% less 28% tax per ordinary share of RM0.25 each for the year ended 28 February 2005. | 5 |
| 4. To approve Directors' Fees of RM204,000 for the year ended 28 February 2005. | 6 |
| 5. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. | 7 |
| 6. As Special Business: | |
| To consider, and if thought fit, to pass the following Resolutions (with or without modifications thereto):- | |
| A) Power to issue shares pursuant to Section 132D, Companies Act, 1965 | 8 |

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from the relevant governmental and/or regulatory bodies where such approvals shall be necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act 1965, from time to time to issue and allot ordinary shares from the unissued capital of the Company upon such terms and conditions and at such times as may be determined by the Directors of the Company to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued capital for the time being of the Company AND THAT the Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting, whichever is the earlier."

Notice of Ninth Annual General Meeting

Ordinary Resolution 9

B) Proposed Authority to buy-back its own shares by the Company

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.25 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following :-

- i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company for the time being ("DXN Shares");
- ii) the maximum fund to be allocated by the Company for the purpose of purchasing the DXN Shares shall not exceed the aggregate of the retained profits and share premium account of RM6,351,668 and RM1,606,621 respectively of the Company as at 28 February 2005;
- iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:-
 - a) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities.
- iv) upon completion of the purchase(s) of the DXN Shares by the Company, the Directors of the Company be hereby authorised to deal with the DXN Shares in the following manner :-
 - a) to cancel the DXN Shares so purchased; or
 - b) to retain the DXN Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
 - c) to retain part of the DXN Shares so purchased as treasury shares and cancel the remainder; or

Notice of Ninth Annual General Meeting

Ordinary Resolution

- d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase of DXN Shares.

C) Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate")

"That pursuant to Chapter 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, a general mandate of the Shareholders be and is hereby granted for the Company and/or its subsidiaries to enter into the recurrent arrangements or transactions of a revenue or trading nature, as set out in the Company's Circular to Shareholders dated 27 July 2005 ("the Circular") with any person who is a related party as described in the Circular as follows, provided that such transactions are undertaken in the ordinary course of business, on an arm's length basis, on normal commercial terms, on terms not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders; and that disclosure will be made in the annual report of the aggregate value of transactions conducted during the financial year; and that such approval, unless revoked or varied by the Company in general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company :-

- a) Recurrent Related Party Transactions of a revenue or trading nature involving the Company and its subsidiaries with :-

i)	Tastiway Sdn. Bhd.	10
ii)	Daxin Gano (Thailand) Co., Ltd.	11
iii)	DXN International (Australia) Proprietary Ltd.	12
iv)	Jumping Horse Trading Co. Ltd.	13
v)	Panaroma Network Sdn. Bhd.	14

7. To transact any other business of which due notice has been given.

NOTICE OF DIVIDEND PAYMENT AND BOOK CLOSURE

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 5% less 28% tax per ordinary share of RM0.25 each in respect of the financial year ended 28 February 2005, if approved by the shareholders at the Annual General Meeting, will be paid on 10 October 2005 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 19 September 2005.

Notice of Ninth Annual General Meeting

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 19 September 2005 in respect of ordinary transfers; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LAM VOON KEAN (MIA 4793)
Company Secretary
Penang

Dated: 27 July 2005

Notes:

1. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. If the appointor is a corporation, the proxy form must be executed under the seal or under the hand of its officer or attorney duly authorized in writing.
4. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

Explanatory Notes on Special Business :

5. The proposed Ordinary Resolution 8, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
6. The proposed resolution 9, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 24,076,400 shares representing 10% of the issued and paid up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting of the Company.
7. The proposed resolutions 10 to 14, if passed will approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions and allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Chapter 10 of the Listing Requirements of the Bursa Malaysia Securities Berhad. This approval shall continue to be in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements appended hereunder are :

Date of Meeting	Hour	Place
18 August 2005	10.00 a.m.	Evergreen Laurel Hotel, Laurel 1 (Level 1), No. 53, Persiaran Gurney, 10250 Penang.

Details of Directors' attendance at Board Meeting are as follows :-

Name of Director	Attendance
a) Dato' Dr. Lim Siow Jin	4/4
b) Datin Leong Bee Ling	4/4
c) Lim Boon Yee	4/4
d) Lim Yew Lin	4/4
e) Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	4/4
f) Tengku Farith Bin Rithauddeen	3/4
g) Poo Ah An	4/4
h) Ooi Soo Kok	4/4

Directors standing for re-election

The directors standing for re-election are as follows:-

Name of Director	Details of individual Directors
i) Ms. Lim Yew Lin	Refer to page 9 of the Annual Report
ii) Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	Refer to page 10 of the Annual Report
iii) Tengku Farith Bin Rithauddeen	Refer to page 10 of the Annual Report

Proxy Form

DXN HOLDINGS BHD. (363120V)

I/We.....

 of.....
 being a member/members of the above named Company, hereby appoint.....

 of.....

 or failing him..... of

 as my/our proxy, to vote for me/us and on my/our behalf at the NINTH ANNUAL GENERAL MEETING of the Company to be held at Evergreen Laurel Hotel, Laurel 1 (Level 1), No. 53, Persiaran Gurney, 10250 Penang on Thursday, 18 August 2005 at 10.00 a.m. and at any adjournment thereof.

NO. RESOLUTIONS	FOR	AGAINST
1. Ordinary Resolution 1		
2. Ordinary Resolution 2		
3. Ordinary Resolution 3		
4. Ordinary Resolution 4		
5. Ordinary Resolution 5		
6. Ordinary Resolution 6		
7. Ordinary Resolution 7		
8. Ordinary Resolution 8		
9. Ordinary Resolution 9		
10. Ordinary Resolution 10		
11. Ordinary Resolution 11		
12. Ordinary Resolution 12		
13. Ordinary Resolution 13		
14. Ordinary Resolution 14		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion).

Signed thisday of

No. Of Ordinary Shares Held

.....
 Signature of Shareholder

Notes:

1. A proxy may but need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. If the appointor is a corporation, the proxy form must be executed under the seal or under the hand of its officer or attorney duly authorised in writing.
4. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time appointed for holding the meeting.

Fold this flag sealing

2nd fold here

Stamp

The Secretary

DXN HOLDINGS BHD. (No. 363120-V)
Suite 2-1, 2nd Floor, Menara Penang Garden
42A, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.

1st fold here

DXN International Branches and Major Stockists



Malaysia

DXN Marketing Sdn. Bhd.
43, Jalan SS 22/23,
Damansara Jaya,
47400 Petaling Jaya,
Selangor,
Malaysia.



Singapore

DXN Singapore Pte. Ltd.
520, North Bridge Road,
02-01 Wisma Alsagoff,
Singapore 188742.



Germany

Sombartstrasse 9,
70565, Stuttgart,
Germany.



Australia

DXN International (Australia)
Pvt. Ltd.
Suite 504, Level 5,
Office Tower Westfield,
Shopping Town 159-175,
Church St. Parramatta,
NSW 2150, Australia.



Thailand

DXN International (Thailand)
Co., Ltd.
54 Room 1202, 12th Floor,
BB Building,
Sukhumvit Road 21, (Asoke),
Klongtoey Neur Wattana,
Bangkok 10110,
Thailand.



Laos

061, Phonekheng Road,
Vientiane, Lao,
P.O Box 05819,
Laos PDR.



USA

Daxen Inc.
661, Brea Canyon Road,
Suite 6, Walnut
California,
91789, USA.



Taiwan

DXN International (Taiwan)
Co., Ltd.
Room 2 8F,
No. 32 Section One,
Cheng De Road,
Taipei City,
Taiwan



Mauritius

Extra Food Co., Ltd.
No. 4, Abrcrombe Street,
Les Salines, Port Louis,
Mauritius.



Brunei

B15, 1st Floor,
Chuchu Plaza,
Simpang 480,
Kg. Telanai KM6,
Jalan Tutong, KA 2312,
Bandar Sri Begawan,
Brunei.



Bangladesh

Daehsan Bangladesh Pvt. Ltd.
Plot No. 1-A Road No. 2-A
Block J, Baridhara, Dhaka
1212,
Bangladesh.



Nepal

New Bibek Enterprise
G.P.O. 8975, E.P.C. 1690
Bagdole Lalitpur,
Nepal.



Hong Kong

DXN International (HK) Ltd.
Room 921-923,
9F Hollywood Plaza,
610 Nathan Road,
Mongkok, Kowloon,
Hong Kong.



Cyprus

DXN Cyprus Ltd.
Limassol Bay, Block A,
APT 303/4,
112 Amathous Ave,
Agios Tychonas, Limassol,
Cyprus.



New Zealand

A Conveyor Ltd.
22, Bells Road,
West Melton,
Canterbury.



Indonesia

DXN Indonesia
Gedung Indra Central
Cempaka Putih, Unit MNOPQ,
Jalan Letjen Suprpto,
No. 60 Cempaka Putih,
Jakarta Pusat, 10520,
Indonesia.



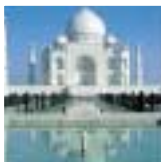
Dubai

Daehsan Trading
Suite No. 306,
Karama Centre,
Karama, Dubai,
United Arab Emirates.



Sri Lanka

Magnum Investment
(Pvt) Limited
15, Stamboul Place,
Colombo 03,
Sri Lanka.



India

Daehsan Trading India
Private Ltd.
No. 1-A and B, First Floor,
Unit 113/114,
Sir Thiagaraya Road,
T. Nagar, Chennai 600017,
India



Canada

Daxen Inc.
Unit 7-11191 Horseshoe Way,
Richmond BC Canada V7A 4S5.



Switzerland

Winkelstrasse 33, CH-4665
Oftringen, Switzerland.



Philippines

DXN International Private Ltd.
Unit 402 & 403,
Jollibee Plaza,
Emerald Avenue,
Ortigas Centre,
Pasig City,
Philippines.



China

Daxen Biotechnology Pte. Ltd.
311, Jiefang Road,
Gutian Country, Fujian,
China 352200.



Mexico

DXN Mexico, S.A. DE C.V.
Ave. Produccion 11-A
Nesa De Otay Av. Universidad y Acceso
Instituto Cumbres
Tijuana, BC Mexico C.P. 22510

(No. 363120-V)

DXN Holdings Bhd.

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Wisma DXN, 213, Lebuhraya Sultan Abdul Halim, 05400 Alor Star, Kedah Darul Aman.
Tel: 604-772 6688 / 3388 Fax: 604-772 1188

43, Jalan SS 22/23, Damansara Jaya, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: 603-7725 3388 Fax: 603-7725 1188