



Annual Report 2006



DXN Holdings Bhd. (No.363120-V)

DXN INTERNATIONAL BRANCHES AND MAJOR STOCKISTS



Dubai

Daehsan Trading
PO Box 50130
Mezzanine Floor,
Hermitage Building
(Emirates Bank Building)
(Near) GPO, Karama-Dubai



UAE

Palace Cosmetics,
Al Muntaser Road,
Ras Al Khaima, UAE



Canada

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



USA

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



Mexico

DXN Mexico, S.A. DE C.V.
Ave. Produccion 11-A,
C.P. 22510
Tijuana, B.C. Mexico



Ethiopia

Prime Enguday Pvt. Ltd. Co.
Bolle Kifle Ketema,
Kebele 03 Building No.162,
Office No.309, PO Box 27659
Code 1000 Addis Ababa,
Ethiopia.



Switzerland

DXN Marketing GMBH
Eichmattstrasse 5,
4665 Oftringen,
Switzerland.



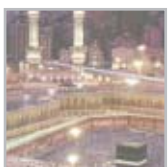
Cyprus

Aldem Trading Ltd.
Limassol Bay, Block A,
APT 303/4, 112 Amathous Ave.,
4532, Agios Tychonas,
Limassol, Cyprus.



Australia

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



Saudi Arabia

Al Hajaj Trading
Suite No. 402, 4th Floor,
Galleria Plaza, Prince
Mohammad St. 1st Cross,
Al Khobar, KSA.



Sri Lanka

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



Mauritius

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



Yemen

Mazin Bukier Trading Est.
PB No. 6140, Khormksar,
Near Aden Hotel, Yemen.





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



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



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



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



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



India
Daehsan Trading India Private Ltd.
 No. 1-A and B, First Floor,
 B - Block 113/114,
 Thiagaraya Road,
 T. Nagar, Chennai-17,
 Pin Code 600017, India



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



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



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



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



Oman
Daehsan
 Flat No. 21, 1st Floor,
 Select N Save Building,
 OPP Lulu Centre,
 Ruwi, Oman.



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



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

Switzerland

Cyprus

Saudi Arabia

UAE Dubai

Oman

Yemen

Ethiopia

Sri Lanka

Mauritius

China

Bangladesh

Taiwan

Hong Kong

Philippines

Malaysia

Brunei

Singapore

Indonesia

Australia

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.

ANNUAL REPORT 2006

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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

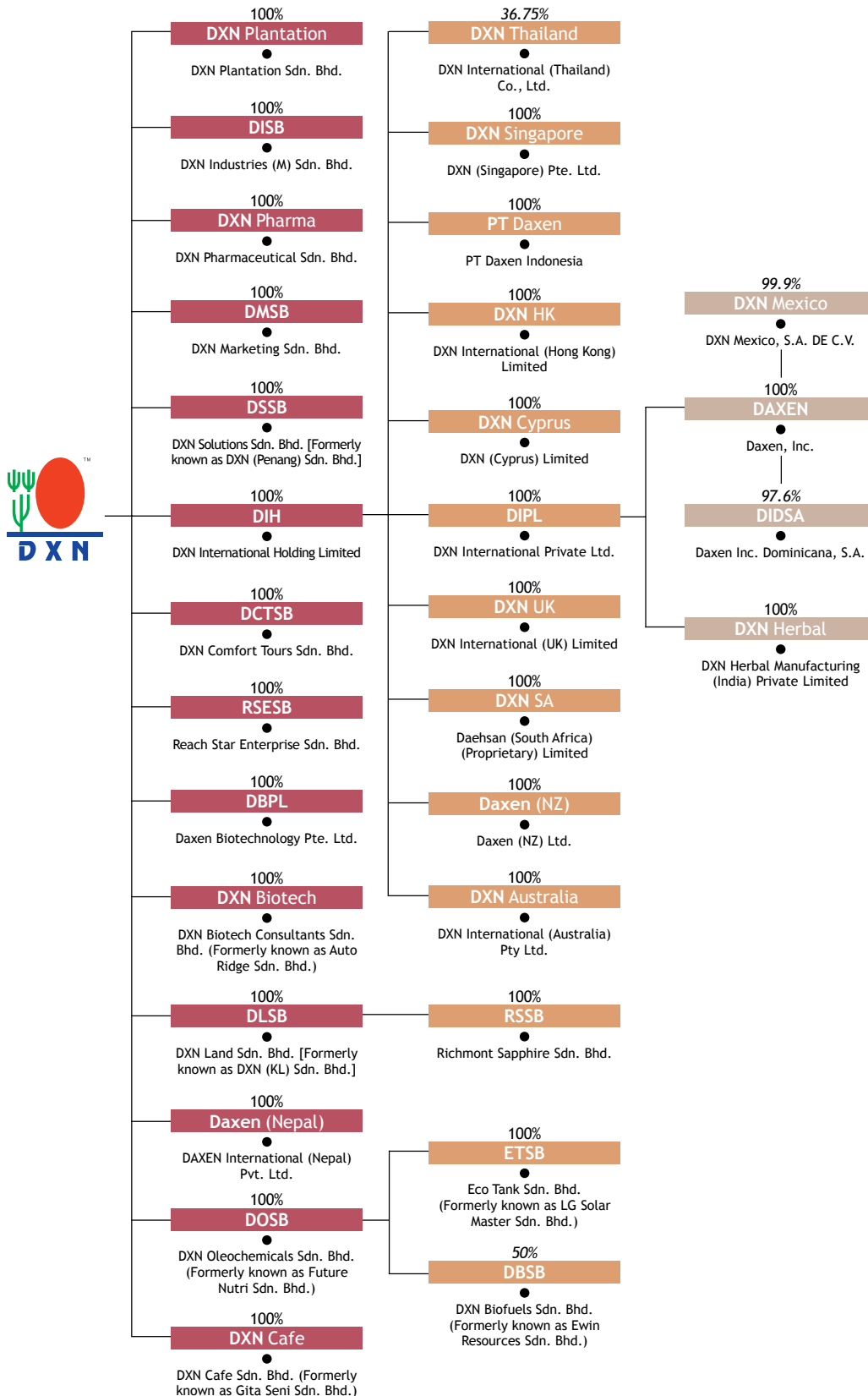
AGRITEUM Share Registration Services Sdn Bhd
(Company No.: 578473-T)
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04 228 2321
Fax: 04 227 2391

Stock Listing Exchange

The Main Board, Bursa Malaysia Securities Berhad

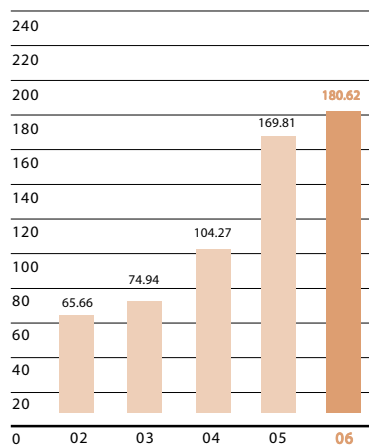
Group Corporate Structure

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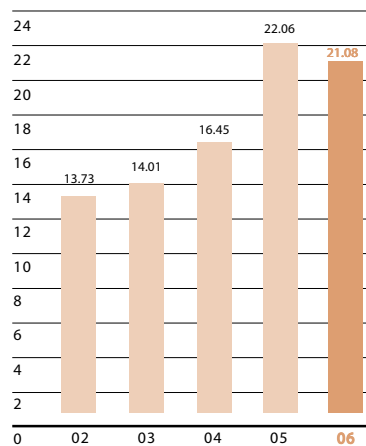


Financial Highlights

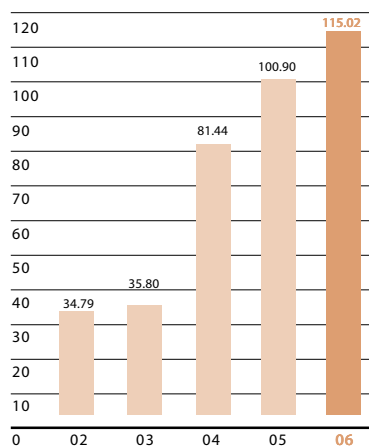
REVENUE
RM million



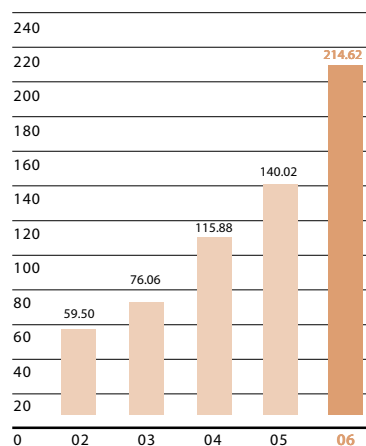
PROFIT AFTER TAXATION
RM million



TOTAL SHAREHOLDERS' FUND
RM million



TOTAL ASSETS EMPLOYED
RM million



	2002	2003	2004	2005	2006
	RM million	RM million	RM million	RM million	RM million
Revenue	65.66	74.94	104.27	169.81	180.62
Profit After Taxation	13.73	14.01	16.45	22.06	21.08
Total Shareholders' Fund	34.79	35.80	81.44	100.90	115.02
Total Assets Employed	59.50	76.06	115.88	140.02	214.62

Profile of Board of Directors

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Dato' Dr. Lim Siow Jin
Executive Chairman/CEO

Dato' Dr. Lim Siow Jin, aged 46, 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 2006.

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



Mr. Lim Boon Yee
Managing Director

Mr. Lim Boon Yee, aged 42, 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 2006.

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

Profile of Board of Directors

Ms. Lim Yew Lin
Executive Director



Ms. Lim Yew Lin, aged 38, 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 Khoon 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 2006.

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

Datin Leong Bee Ling
Non-Independent Non-Executive Director



Datin Leong Bee Ling, aged 49, 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 2006.

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

Profile of Board of Directors

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Tengku Farith bin Rithauddeen
Non-Independent Non-Executive Director

Tengku Farith bin Rithauddeen, aged 35, 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.

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 three out of four Board Meetings held during the financial year ended 28 February 2006.

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



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 55, 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. 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 2006.

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

Mr. Poo Ah An

Independent Non-Executive Director



Mr. Poo Ah An, aged 59, 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 2006.

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

Mr. Ooi Soo Kok

Independent Non-Executive Director



Mr. Ooi Soo Kok, aged 52, 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 2006.

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

1. Family relationship of directors

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

2. Conflict of interest

Save as disclosed below and in the financial statements, none of the directors have 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 35 to page 37 of the annual report.

5. Other directorship of public companies

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

Chairman & CEO's Message

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On behalf of the Board of Directors of DXN Holdings Bhd., I am pleased to present the 2006 Annual Report and Financial Statement of the Group and the Company for the financial year ended 28 February 2006.

Financial performance

For the year under review, the Group's revenue increased by 6.4% to RM 180.6 million against RM169.8 million for the previous year. The profit after tax of RM21.1 million, slightly decline from RM 22 million in the previous financial year. The decline in the profit were mainly due to the increase in the financing cost of borrowing for the expansion plan, declining of the foreign currency exchange rate of USD to RM and also the increase in the advertising expenses.

Prospects

The Malaysia's economy growth is expected to moderate between 5%- 6% for 2006 in view of the uptrend in interest rate and accelerating inflation. With global economy slowdown resulting from high oil prices and prevailing weak consumer sentiment, consumer demand is expected to remain sluggish for local and oversea market. To mitigate the impact from the consumer sentiment, the Company has begun to introduce more advertising and marketing promotions to stimulus the demand.

Chairman & CEO's Message

Strategic Direction

In view of the core business development, the Company has acquired DXN International (Australia) Pty Ltd. in order to consolidate the marketing activities in Australia and at the same time, the Company has entered into new markets such as Puerto Rico, Dominican Republic, Ethiopia, Kenya, Zimbabwe and Ukraine. We have also launched 6 new products developed by our own R&D to the market during the financial year.

In order to diversify the broad based income of the Group, the Board has made a decision to diversify into the property development and renewable energy sector. The Company has taken a major step into the property sector by acquiring Richmond Sapphire Sdn. Bhd., a property developer with approved building plan from the relevant authority to develop a piece of prime development land located within the vicinity of Jelutong, Penang. Construction works are progressively on schedule for our housing projects and these achievements are expected to contribute positively to the Group's earning in the financial year 2007.

The Company has always emphasized the importance of biotechnology and has continuously invested in all viable opportunities to explore the new products development. We have expanded our research activities into the bio-fuel and also have conducted the feasibility study for the viability of the project. The Company has joined with a US Corporation to set up a bio-fuel manufacturing plant in Malaysia. The Boards are optimistic of the prospect for the bio-fuel and expect that it will contribute significantly to the Group's earning once the project commences the operation.

We remain cautious for consumer sentiments and the projection of earning growth has to rely on new business development. Baring any unforeseen circumstances, we are optimistic about the prospect of DXN.

Dividends

After considering the financial position and expansion plans of the Group of companies, the Board is pleased to recommend a final dividend of 5% less 28% tax per ordinary share of RM0.25 each subject to the shareholders' approval. Combined with an interim dividend of 5% less 28% tax per ordinary share of RM0.25 each paid on 21 March 2006, the total gross dividends for the financial year 2006 will be 10% less 28% tax per ordinary share of RM0.25 each.

Appreciation

I wish to express my sincere appreciation to my fellow members for their input 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, value customers and the business partners for their invaluable and continuous support and confidence in the Group.

Dato' Dr. Lim Siow Jin
Executive Chairman/CEO



22-24 June 2005

Incentive Trip to Bukit Merah Lake Town Resort

The successful leaders visited the Lingzhi Farm and Factory at Jitra followed by the incentive trip to Bukit Merah Lake Town Resort.



28-31 July 2005

Malaysia International Halal Showcase MIHAS 2005

DXN took part in the exhibition during the Malaysia International Halal Showcase MIHAS 2005 which took place from 28th to 31st July 2005 at MIECC, MINES Resort City.

Corporate Highlights



14-15 August 2005

Stockists Convention

The Stockist Convention was held with the aim to improve and strengthen the service quality of the stockists to customers.



18 August 2005

9th Annual General Meeting

The 9th Annual General Meeting was held at Evergreen Laurel Hotel, Penang on 18 August 2005.



27 November 2005

National Convention 2005

The National Convention was held on 27 November 2005. The highlights were the enlightening and captivating presentations by the five DXN Crown Diamond distributors who shared their experiences and secrets of success with the participants.



21 January 2006

Visitors from UAE

A group of visitors from UAE visited DXN Lingzhi Farm on 21 January 2006. Over the years, thousands of local and foreign distributors have visited DXN Lingzhi Farm.

Corporate Highlights



18 February 2006

Official visit by the Minister of Agriculture and Agro-Based Industry to DXN Dubai's Office

On 18 February 2006, the Minister of Agriculture and Agro-Based Industry officially visited our office in Dubai.



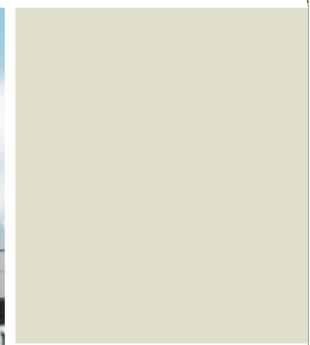
19 March 2006

8th anniversary dinner and recognition function 2005

The year's most awaited event, DXN 8th Anniversary Recognition Function, was held in the Majesty Seafood Restaurant on 19 March 2006.



15-18 December 2005



TSI-Bangkok Trip 2005

The 4 days 3 nights trip was very meaningful for the top distributors to Bangkok as there was an excellent and motivation talk shared by 2 Crown Diamond from Philippines and Bangkok.

New Office Tower - Factory to be Set Up

In line with our business expansion and to meet market demand, DXN has embarked on setting up a new office tower with factory which is expected to be completed by the year 2006.

Corporate Highlights



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
6. DXN Bee Pollen
7. DXN Roselle Tablets
8. DXN Cordyceps Powder
9. DXN Cordceps Tablets
10. DXN Cordyceps Capsule
11. DXN Lion's Mane Powder

12. DXN Lion's Mane Tablets
13. DXN Shiitake Mushroom Powder
14. DXN Spirulina Powder
15. DXN Spirulina Tablets

Personal Care Series

1. DXN Tea Tree Cream
2. Gano Massage Oil
3. Ganozhi Soap
4. DXN Ganozhi Shampoo
5. DXN Ganozhi Body Foam

6. Ganozhi Toothpaste
7. Numeko Medicated Rub
8. Fresh Perfume
9. DXN Talcum Powder

Skin Care & Cosmetic Series

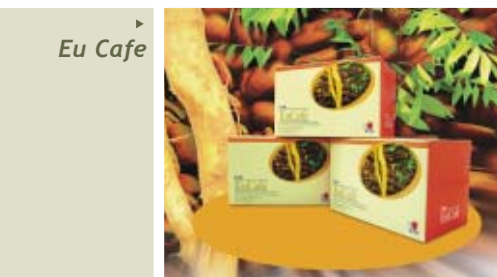
1. Aloe-V Facial Cleansing Foam
2. Aloe-V Hand & Body Lotion
3. Decolor Lipstick
4. Chubby Baby Oil

Corporate Highlights

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ZhiColate



Eu Cafe

MycoVeggie

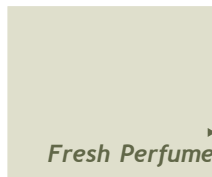


Zhi Ca

Nutrizhi



Vita Cafe



Fresh Perfume



Food & Beverage Series

1. DXN Lingzhi Coffee 3 in 1
2. DXN Lingzhi Black Coffee
3. DXN Lingzhi Coffee 2 in 1
4. DXN Zhi Cafe
5. DXN Spica Tea
6. DXN Cocozhi
7. DXN Morinzhi
8. DXN Morinzyme
9. Kiwi Fruit Concentrated juice
10. Roselle Juice
11. DXN GL Spread
12. Tropik Mango & Tropik Orange
13. DXN Spirulina Cereal
14. DXN Pineapple Jam
15. DXN Zhi Mint
16. DXN Cordypine
17. DXN Zhi Mocha

Household Product Series

1. Dyna Clean
2. Sheen
3. Pine Clean
4. Dish Clean
5. GT-6 Wash 'N' Shine
6. Toilet Bowl Cleaner

Water Treatment System Series

1. EWS
2. Filter

New Products

1. DXN Reishi Gano Tea
2. DXN EuCafé
3. DXN Vita Café
4. DXN ZhiColate
5. DXN Nutrizhi
6. DXN MycoVeggie
7. DXN Zhi Ca

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 Nomination 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 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.

Corporate Governance Statement

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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.

Further, considering the size of the Company and the clear division of responsibility of Executive Directors, the existing structure is functioning efficiently. In accordance with the requirements of the Code, Mr. Ooi Soo Kok is currently the Senior Independent Non Executive Director 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 5 to 8 of this Annual Report.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in 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 2006, 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 Director has 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 at the Company’s expense.

Corporate Governance Statement

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 Nomination 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. 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 Directors 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 the directors have undergone seminar on Financial Reporting Standards during the financial year.

All Directors are encouraged to attend seminar 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, Nomination 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, Nomination 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 is maintained with the external auditors. The Audit Committee also reviews any related party transactions and conflict of interest situation that may arise in the Group.

Corporate Governance Statement

The Audit Committee is assisted by the Risk Management Committee which form the second layer of assistance to the Board. The Risk Management Committee has established with the intention to further enhance the Group's system of internal control and be in line with the Code. The Risk Management Committee together with the Audit Committee are entrusted to ensure more effective and efficient identification, evaluation, management and reporting of the Group's risks.

The report on the Audit Committee by the Board (the "Audit Committee Report") for the financial year ended 28 February 2006 is set out on pages 29 to 32 of this Annual Report.

ii) Nomination 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 Nomination Committee to the Board for their approval.

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

The members of the Nomination 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 Nomination 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 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 Nomination Committee are held as and when necessary, and at least once in a year.

During the financial year, the Nomination Committee held one (1) regular meeting and all members were present at the meeting.

Corporate Governance Statement

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 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 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)

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

- To recommend and agree with the Board 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 in a year.

During the financial year, the Remuneration Committee held one (1) regular meeting and all members were present at the meeting.

Corporate Governance Statement

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	Nomination 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 Ling	4/4	-	-	-
Tengku Farith Bin Rithauddeen	3/4	-	-	-
Ooi Soo Kok	4/4	9/9	-	-
Dato' Seri Tunku Abdul Hamid Thani Ibni 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 by categorised into appropriate components for the financial year ended 28 February 2006 are as follows:-

Category of Remuneration	Executive Director (RM)	Non-Executive Director (RM)
Fees	-	144,000
Salaries & Bonuses	1,791,468	-
Benefits-in-kind	26,300	8,800
Total	1,817,768	152,800

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	-	5
RM200,001 to RM250,000	1	-
RM350,001 to RM400,000	1	-
RM1,150,001 to RM1,200,000	1	-

Corporate Governance Statement

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.

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.

Corporate Governance Statement

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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 27 to 28 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 29 to 32 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 29 to 32 of the Annual Report.

Compliance Statement

The Group has complied, during the financial year 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.

Nevertheless, the Board is mindful of the above Best Practices and will review the necessity to comply with them from time to time.

Corporate Governance Statement

Other Compliance Information

Non-audit fees

Non-audit fees amounting to RM43,193 for the Group and RM11,500 for the Company were paid to the external auditors for the financial year ended 28 February 2006.

Material contract

Save as disclosed hereunder, there are no material contract entered into by the Company and/or its subsidiaries within the last two (2) financial year which involves interest of Director and major shareholders.

- The Share Sale Agreement between Lim Boon Yee (the “Vendor”) and DIH, a wholly owned subsidiary of DXN dated on 12 December 2005, whereby the vendor has agreed to sell one hundred (100) ordinary shares of Australian Dollar One (A\$1.00) each, representing the entire issued and paid up share capital of DXN International (Australia) Pty Limited for a total cash consideration of RM718,657.00. Lim Boon Yee, the Managing Director and major shareholder of DXN is the brother to Dato’ Dr Lim Siow Jin, the major shareholder and Executive Chairman/CEO of DXN and Ms. Lim Yew Lin, the Executive Director of DXN and brother-in-law of Datin Leong Bee Ling.

Shares Buy-Backs

The Company had at its AGM on 18 August 2005 obtained the approval from its shareholders to purchase up to 10% of the issued and paid up capital of the Company. During the financial year, the Company bought back 2,782,700 of its own shares from the Bursa Securities at an average price of RM0.705 per share for approximately RM1,962,700, which was financed through its internally generated funds. The bought back shares are held as treasury shares and none of them has been resold or cancelled.

The details of the shares bought back during the financial year are as follows:

Month	Price Per Share (RM)			Number of Shares ('000)	Total Consideration RM'000
	Lowest	Highest	Average		
September 2005	0.725	0.760	0.745	1,639.7	1,227.91
October 2005	0.680	0.710	0.701	560.8	394.52
December 2005	0.560	0.610	0.577	513.9	298.17
January 2006	0.580	0.660	0.612	68.3	42.10
				2,782.7	1,962.70

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. However, during the financial year ended 28 February 2006 the gross proceeds have been fully utilised.

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 2006, 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, Chief Operation Officer 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 and Chief Operation Officer.

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.

Risk Management Committee was established 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 Company's risk management activities are integrated into the management level. The integration will enable risks to be addressed on a timely basis. There was an on-going process throughout the financial year under review to identify and manage principal risks associated with the operation of the Group. An Executive Directors and Chief Operation Officer, together with key management personnel, review the key business risks affecting the Group on a continuous basis.

The Risk Management Committee's report of the mitigation of business risks identified is reviewed by the Audit Committee.

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 also assigned by the Board to review RMC report. 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 the 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 29 to 32 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 decision making;
- Regular visits to operating units by senior management and, where deemed appropriate, by the Executive Directors; and
- A management information system in place to keep track the key business task and document the key business knowledge.

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 2006. 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 2006. 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;

- 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 has 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; and
 - 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.
 - the allocation of option granted pursuant to the Executive Share Option Scheme.
- b. To recommend the nomination of a person or persons as External Auditors and the audit fees.

Audit Committee Report

- 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. Review of quarterly and year-end financial statements before recommending to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
2. Review 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. Review and approval of the internal audit plans, including the reports on findings from internal audit carried out on selected companies in the Group;
4. Review the allocation of option granted pursuant to the Executive Share Option Scheme;
5. Review of the related party transactions entered into by the Group;
6. Review 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; and
7. Review the Risk Management Committee's updated Risk Register and the plans to mitigate all business risks identified.

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 2006

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 2006.

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 acquisition and incorporation of those new subsidiaries as disclosed in Note 31 to the financial statements.

Results

	<i>Group RM</i>	<i>Company RM</i>
Net profit for the year	<u>21,078,767</u>	<u>10,461,979</u>

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 RM2,155,921 in respect of the year ended 28 February 2005 on 10 October 2005; and
- ii) interim dividend of 5% less 28% tax amounting to RM2,141,830 in respect of the year ended 28 February 2006 on 21 March 2006.

A final dividend of 5% less 28% tax has been recommended by the Directors in respect of the year ended 28 February 2006, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Directors' Report

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for the year ended 28 February 2006

Directors of the Company

Directors who 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
Ooi Soo Kok
Poo Ah An
Tengku Farith bin Rithauddeen

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 1.3.2005	Bought	(Sold)	Balance at 28.2.2006
<u>The Company</u>				
Direct interest				
Lim Boon Yee	12,661,100	22,000	-	12,683,100
Lim Yew Lin	1,002,000	50,000	-	1,052,000
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	105,381,300	-	-	105,381,300
Datin Leong Bee Ling	103,378,300	-	-	103,378,300
Tengku Farith bin Rithauddeen	29,735,300	-	-	29,735,300
Lim Boon Yee	2,003,000	-	-	2,003,000

Directors' Report

for the year ended 28 February 2006

Directors' interest in shares (Cont'd)

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

		Number of options over ordinary shares of RM0.25 each			
	Option price RM	Balance at 1.3.2005	Granted	(Exercised)	Balance at 28.2.2006
<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	400,000	-	-	400,000
	0.85	400,000	-	-	400,000

None of the other Directors holding office at 28 February 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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 the Company and certain related corporations with 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 10,000 ordinary shares of RM0.25 each arising from the exercise of share options pursuant to the ESOS at the option price of RM0.85.

There were no debentures in issue during the financial year.

Directors' Report

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for the year ended 28 February 2006

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 :

<i>Date of offer</i>	<i>Option price RM</i>	<i>Balance at 1.3.2005</i>	<i>Number of options over ordinary shares of RM0.25 each</i>			<i>Balance at 28.2.2006</i>
			<i>Granted</i>	<i>Exercised</i>	<i>Cancelled</i>	
8.12.2003	0.82	3,234,000	-	-	(1,674,000)	1,560,000
13.12.2004	0.85	3,433,000	-	(10,000)	(2,063,000)	1,360,000

There were no ESOS granted during the financial year.

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 period 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 events during the year

The details of such event are disclosed in Note 31 to the financial statements.

Directors' Report

for the year ended 28 February 2006

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
- 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 2006 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.

Directors' Report

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for the year ended 28 February 2006

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 : 28 June 2006

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 95 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 2006 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 : 28 June 2006

Statutory Declaration

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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 95 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 28 June 2006.

.....
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 95. 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 2006 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

Lee Kean Teong
Partner
Approval Number : 1857/02/08 (J)

Penang,
Date : 28 June 2006

Consolidated Balance Sheet

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at 28 February 2006

	<i>Note</i>	2006 RM	2005 RM
Property, plant, and equipment	2	62,516,436	47,564,229
Land held for property development	4	1,815,159	-
Investment in associates	5	567,765	402,980
Goodwill on consolidation	6	1,804,849	1,577,210
Other investments	7	6,291,357	1,273,947
Deferred tax assets	17	673,185	188,245
Current assets			
Property development costs	8	20,299,441	-
Inventories	9	24,793,362	21,344,710
Trade and other receivables	10	47,698,632	35,409,038
Tax refundable		1,290,545	1,652,526
Cash and cash equivalents	11	49,348,078	32,376,392
		143,430,058	90,782,666
Current liabilities			
Trade and other payables	12	29,249,929	21,488,167
Borrowings	13	4,454,047	4,886,726
Taxation		1,417,090	684,937
		35,121,066	27,059,830
Net current assets		108,308,992	63,722,836
		181,977,743	114,729,447
Financed by :			
Capital and reserves			
Share capital	14	60,191,000	60,188,500
Reserves	15	56,796,553	40,715,510
		116,987,553	100,904,010
Treasury shares	15	(1,962,699)	-
Shareholders' funds		115,024,854	100,904,010
Negative goodwill	16	10,873,411	10,706,270
Long term and deferred liabilities			
Borrowings	13	54,578,113	1,870,114
Deferred tax liabilities	17	1,501,365	1,249,053
		181,977,743	114,729,447

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2006.

The notes set out on pages 56 to 95 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Income Statement

for the year ended 28 February 2006

	<i>Note</i>	2006 RM	2005 RM
Revenue	18	180,615,326	169,808,607
Other operating income	19	3,616,406	6,026,491
Changes in work-in-progress and manufactured inventories		2,116,384	(4,510,978)
Raw material and trading inventories used		(38,817,690)	(34,639,331)
Staff costs	20	(22,225,860)	(19,761,083)
Depreciation	2	(5,612,107)	(3,699,017)
Operating expenses	19	(90,208,101)	(85,181,768)
Operating profit		<u>29,484,358</u>	<u>28,042,921</u>
Finance costs	21	(2,199,680)	(520,381)
Share of profit of associates		237,643	236,036
Profit before tax		<u>27,522,321</u>	<u>27,758,576</u>
Tax - Company and subsidiaries - Associates		<div style="border: 1px solid black; padding: 2px;">(6,370,695) (72,859)</div>	<div style="border: 1px solid black; padding: 2px;">(5,692,963) (1,278)</div>
Tax expense	22	(6,443,554)	(5,694,241)
Net profit for the year		<u><u>21,078,767</u></u>	<u><u>22,064,335</u></u>
Basic earnings per ordinary share (sen)	23	<u>8.80</u>	<u>9.18</u>
Diluted earnings per ordinary share (sen)	23	<u>8.80</u>	<u>9.17</u>
Dividends per ordinary share - net (sen)	24	<u>1.80</u>	<u>1.44</u>

The notes set out on pages 56 to 95 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Statement of Changes in Equity

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for the year ended 28 February 2006

	<i>Share capital RM</i>	<i>Share premium RM</i>	<i>Exchange fluctuation reserve RM</i>	<i>Retained profits RM</i>	<i>Total RM</i>
At 1 March 2004	60,013,000	1,206,061	151,109	20,070,012	81,440,182
Issue of shares - ESOS (Note 14)	175,500	400,560	-	-	576,060
Net profit for the year	-	-	-	22,064,335	22,064,335
Exchange differences on translation of foreign entities	-	-	288,032	-	288,032
Dividends (Note 24)	-	-	-	(3,464,599)	(3,464,599)
At 28 February 2005	<u>60,188,500</u>	<u>1,606,621</u>	<u>439,141</u>	<u>38,669,748</u>	<u>100,904,010</u>
Issue of shares - ESOS (Note 14)	2,500	6,000	-	-	8,500
Net profit for the year	-	-	-	21,078,767	21,078,767
Exchange differences on translation of foreign entities	-	-	(705,973)	-	(705,973)
Dividends (Note 24)	-	-	-	(4,297,751)	(4,297,751)
At 28 February 2006	<u>60,191,000</u>	<u>1,612,621</u>	<u>(266,832)</u>	<u>55,450,764</u>	<u>116,987,553</u>

The notes set out on pages 56 to 95 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 2006

	2006 RM	2005 RM
Cash flows from operating activities		
Profit before tax	27,522,321	27,758,576
Adjustments for :		
Amortisation of goodwill on consolidation	129,149	177,449
Depreciation	5,612,107	3,699,017
Gain on disposal of plant and equipment	(25,183)	(9,659)
Interest income	(1,031,206)	(319,026)
Interest expense	2,199,680	520,381
Plant and equipment written off	10,433	14,264
Allowance for diminution in value of other investments	5,258	14,240
Share of results of associates	(237,643)	(236,036)
Dividend income	(4,490)	(2,648)
Gain on disposal of other investments	(189,334)	-
Gain on disposal of a subsidiary (Note B)	(351,884)	-
Impairment of goodwill on consolidation	372,652	-
Operating profit before working capital changes	34,011,860	31,616,558
Increase in :		
Property development cost incurred	(17,494,148)	-
Inventories	(2,750,066)	(4,887,054)
Trade and other receivables	(12,881,431)	(3,726,654)
Increase in :		
Trade and other payables	3,107,961	1,384,797
Cash generated from operations	3,994,176	24,387,647
Income tax paid	(5,850,245)	(4,632,512)
Net cash (used in)/generated from operating activities	(1,856,069)	19,755,135

Consolidated Cash Flow Statement

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for the year ended 28 February 2006

	2006 RM	2005 RM
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (Note A)	(1,588,788)	-
Acquisition of an associate	(1)	-
Net cash inflow on disposal of a subsidiary (Note B)	260,293	-
Purchase of property, plant and equipment (Note C)	(18,569,911)	(13,464,718)
Addition to land held for property development	(791,159)	-
Purchase of other investments	(5,500,000)	-
Proceeds from disposal of other investments	666,666	-
Repurchase of shares	(1,962,699)	-
Proceeds from disposal of plant and equipment	497,847	602,990
Interest received	1,031,206	319,026
Dividend received	4,154	2,648
Net cash used in investing activities	(25,952,392)	(12,540,054)
Cash flows from financing activities		
(Decrease)/Increase in short term borrowings, net	(837,118)	2,760,118
Drawdown/(Repayment) of term loans	51,609,446	(2,820,474)
Repayment of hire purchase obligations	(536,835)	(298,751)
Proceeds from issuance of shares - ESOS	8,500	576,060
Dividends paid	(3,455,993)	(2,164,527)
(Placement)/Withdrawal of pledged fixed deposits	(4,171,048)	253,293
Interest paid	(2,199,680)	(520,381)
Net cash generated from/(used in) financing activities	40,417,272	(2,214,662)
Net increase in cash and cash equivalents	12,608,811	5,000,419
Cash and cash equivalents at beginning of year	29,302,107	23,968,605
Effect of exchange differences on cash and cash equivalents	112,993	333,083
Cash and cash equivalents at end of year (Note D)	42,023,911	29,302,107

Consolidated Cash Flow Statement

for the year ended 28 February 2006

NOTES

A. Analysis of acquisition of subsidiaries

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

	2006 RM	2005 RM
Property, plant and equipment	1,246,190	-
Land held for property development	100,000	-
<i>Current assets</i>		
Property development cost	3,729,293	-
Inventories	698,586	-
Trade and other receivables	156,777	-
Cash and cash equivalents	629,869	-
<i>Current liabilities</i>		
Trade and other payables	(5,233,905)	-
Borrowings	(329,400)	-
Net assets acquired	<u>997,410</u>	<u>-</u>
Goodwill on consolidation	1,388,388	-
Negative goodwill	(167,141)	-
Total purchase consideration, satisfied in cash	<u>2,218,657</u>	<u>-</u>
Less : Cash and cash equivalents	(629,869)	-
Net cash outflow on acquisition	<u><u>1,588,788</u></u>	<u><u>-</u></u>

Consolidated Cash Flow Statement

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for the year ended 28 February 2006

B. Analysis of disposal of a subsidiary

The fair value of assets disposed and liabilities relieved were as follows :

	2006 RM	2005 RM
Property, plant and equipment	517,756	-
<i>Current assets</i>		
Trade and other receivables	212,575	-
Cash and cash equivalents	39,707	-
<i>Current liabilities</i>		
Trade and other payables	(1,421,863)	-
Hire purchase creditors	(59,007)	-
	<u>(710,832)</u>	<u>-</u>
Goodwill on consolidation	658,948	-
Gain on disposal	351,884	-
	<u>300,000</u>	<u>-</u>
Consideration paid, satisfied in cash		
Less : Cash and cash equivalents disposed of	(39,707)	-
Net cash inflow on disposal	<u><u>260,293</u></u>	<u><u>-</u></u>

C. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM20,589,911 (2005 : RM13,807,718) of which RM2,020,000 (2005 : RM343,000) was acquired by means of hire purchase instalment plans. The balance of RM18,569,911 (2005 : RM13,464,718) was made by cash payments.

Consolidated Cash Flow Statement

for the year ended 28 February 2006

D. Cash and cash equivalents

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

	2006 RM	2005 RM
Short term deposits	1,001,068	-
Fixed deposits with licensed banks (net of pledged deposits)	5,675,010	2,667,773
Cash and bank balances	35,577,636	26,785,303
Bank overdrafts	(229,803)	(150,969)
	<u>42,023,911</u>	<u>29,302,107</u>

The notes set out on pages 56 to 95 form an integral part of, and should be read in conjunction with, these financial statements.

Balance Sheet

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at 28 February 2006

	<i>Note</i>	2006 RM	2005 RM
Property, plant and equipment	2	7,162,429	3,966,695
Investment in subsidiaries	3	23,249,516	18,649,500
Other investments	7	5,717,875	1,195,207
Current assets			
Trade and other receivables	10	79,701,197	44,520,705
Tax refundable		571,109	625,686
Cash and cash equivalents	11	14,217,402	1,279,169
		94,489,708	46,425,560
Current liabilities			
Trade and other payables	12	7,168,994	1,663,885
Borrowings	13	144,815	117,181
		7,313,809	1,781,066
Net current assets		87,175,899	44,644,494
		123,305,719	68,455,896
Financed by :			
Capital and reserves			
Share capital	14	60,191,000	60,188,500
Reserves	15	14,128,517	7,958,289
		74,319,517	68,146,789
Treasury shares	15	(1,962,699)	-
Shareholders' funds		72,356,818	68,146,789
Long term and deferred liabilities			
Borrowings	13	50,876,802	211,107
Deferred tax liability	17	72,099	98,000
		123,305,719	68,455,896

The notes set out on pages 56 to 95 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statement

for the year ended 28 February 2006

	<i>Note</i>	2006 RM	2005 RM
Revenue	18	18,900,000	14,200,000
Other operating income	19	1,017,309	77,258
Staff costs	20	(5,308,870)	(3,729,939)
Depreciation	2	(262,484)	(112,111)
Operating expenses	19	(2,003,752)	(1,528,529)
Operating profit		<u>12,342,203</u>	<u>8,906,679</u>
Finance costs	21	(1,851,548)	(4,990)
Profit before tax		<u>10,490,655</u>	<u>8,901,689</u>
Tax expense	22	(28,676)	(147,313)
Net profit for the year		<u>10,461,979</u>	<u>8,754,376</u>
Dividends per ordinary share - net (sen)	24	<u>1.80</u>	<u>1.44</u>

The notes set out on pages 56 to 95 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 2006

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	<i>Share capital RM</i>	<i>Share premium RM</i>	<i>Retained profits RM</i>	<i>Total RM</i>
At 1 March 2004	60,013,000	1,206,061	1,061,891	62,280,952
Issue of shares - ESOS (Note 14)	175,500	400,560	-	576,060
Net profit for the year	-	-	8,754,376	8,754,376
Dividends (Note 24)	-	-	(3,464,599)	(3,464,599)
At 28 February 2005	60,188,500	1,606,621	6,351,668	68,146,789
Issue of shares - ESOS (Note 14)	2,500	6,000	-	8,500
Net profit for the year	-	-	10,461,979	10,461,979
Dividends (Note 24)	-	-	(4,297,751)	(4,297,751)
At 28 February 2006	<u>60,191,000</u>	<u>1,612,621</u>	<u>12,515,896</u>	<u>74,319,517</u>

The notes set out on pages 56 to 95 form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 28 February 2006

	2006 RM	2005 RM
Cash flows from operating activities		
Profit before tax	10,490,655	8,901,689
Adjustments for :		
Depreciation	262,484	112,111
Interest expense	1,851,548	4,990
Interest income	(709,417)	(38,495)
Dividend income	(12,000,000)	(9,000,000)
Plant and equipment written off	2,939	1,045
Gain on disposal of other investments	(189,334)	-
Operating loss before working capital changes	(291,125)	(18,660)
(Increase)/Decrease in :		
Trade and other receivables	(35,180,492)	6,365,138
Increase/(Decrease) in :		
Trade and other payables	3,363,279	(6,805,371)
Cash used in operations	(32,108,338)	(458,893)
Income tax paid	-	(293,749)
Dividends received	12,000,000	9,000,000
Net cash (used in)/generated from operating activities	(20,108,338)	8,247,358
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(3,361,157)	(1,038,442)
Purchase of newly incorporated subsidiaries	(16)	-
Additional investment in existing subsidiary	(4,900,000)	(6,840,000)
Interest received	709,417	38,495
Proceeds from disposal of a subsidiary	300,000	-
Purchase of other investments	(5,000,000)	-
Proceeds from disposal of other investments	666,666	-
Net cash used in investing activities	(11,585,090)	(7,839,947)

Cash Flow Statement

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for the year ended 28 February 2006

	2006 RM	2005 RM
Cash flows from financing activities		
Drawdown on term loans	50,687,500	250,000
Repayment of term loans	(70,171)	(7,712)
Repurchase of shares	(1,962,699)	-
Dividends paid	(2,155,921)	(2,164,527)
Repayment of hire purchase obligations	(24,000)	(29,525)
Proceeds from issuance of shares - ESOS	8,500	576,060
(Placement)/Withdrawal of pledged fixed deposits	(11,080)	310,270
Interest paid	(1,851,548)	(4,990)
Net cash generated from/(used in) financing activities	44,620,581	(1,070,424)
Net increase/(decrease) in cash and cash equivalents	12,927,153	(663,013)
Cash and cash equivalents at beginning of year	979,169	1,642,182
Cash and cash equivalents at end of year (Note B)	<u>13,906,322</u>	<u>979,169</u>

NOTES

A. Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM3,461,157 (2005 : RM1,038,442) of which RM100,000 (2005 : RM NIL) was acquired by means of hire purchase. The balance of RM3,361,157 (2005 : RM1,038,442) was made by cash payments.

B. Cash and cash equivalents

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

	2006 RM	2005 RM
Short term deposits	1,001,068	-
Fixed deposits with licensed banks (net of pledged deposits)	3,381,239	369,986
Cash and bank balances	9,524,015	609,183
	<u>13,906,322</u>	<u>979,169</u>

The notes set out on pages 56 to 95 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

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

Notes to the Financial Statements

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(c) Associates (cont'd)

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 Statements

(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) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 2 to 3 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(h) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over revenue recognised in the income statement is shown as progress billings under trade and other payables.

(i) 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.

Notes to the Financial Statements

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(i) Goodwill (Cont'd)

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.

(j) 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.

(k) Trade and other receivables

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

(l) 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.

(m) Liabilities

Borrowings and trade and other payables are stated at cost.

(n) 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.

(o) 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.

Notes to the Financial Statements

(o) Income tax (Cont'd)

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.

(p) 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.

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 :

	2006 RM	2005 RM
1 AUD	2.762	-
1 USD	3.722	3.800
1 Baht	0.094	0.099
1 SGD	2.283	2.320
1 HKD	0.480	0.487
1 Rupee	0.084	0.087
1 Rupiah	0.00040	0.00041
1 Peso	0.072	0.069
1 MXN	0.355	0.341

(q) 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.

(r) Share capital

Repurchase of shares

When shares are repurchases, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(s) 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.

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.

Notes to the Financial Statements

(t) 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.

(u) 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 leave are recognised when absences occur.

ii) Defined contribution plan

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.

(v) Capitalisation of borrowing costs

Borrowing costs incurred on properties under development are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific property under development, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Notes to the Financial Statements

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 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
Acquisition of subsidiaries	488,524	-	-	512,269	-	-	245,397	-	-	1,246,190
Additions	1,735,502	-	-	4,467,389	261,282	5,378,638	2,515,015	1,382,788	4,849,297	20,589,911
Disposal of a subsidiary	-	-	-	-	-	-	(470,507)	(162,526)	-	(633,033)
Disposals	-	-	-	-	(121,330)	(20,552)	(268,434)	(528,729)	-	(939,045)
Write off	-	-	-	-	-	-	(20,569)	-	-	(20,569)
Exchange difference	(71,776)	-	(29,555)	(142,911)	-	(93,613)	14,593	(8,668)	(195)	(332,125)
Reclassification	1	(2,854,585)	3,110,962	623,336	90,265	310,006	(419,593)	(25,160)	(835,232)	-
At 28 February 2006	9,102,656	-	5,475,628	20,092,976	6,170,772	20,165,591	11,468,664	4,379,888	8,515,357	85,371,532
Accumulated depreciation										
At 1 March 2005	-	78,743	201,747	1,252,586	890,129	9,059,599	4,506,780	1,906,390	-	17,895,974
Disposal of a subsidiary	-	-	-	-	-	-	(100,719)	(14,558)	-	(115,277)
Charge for the year	-	-	199,003	555,427	202,139	2,110,842	1,487,272	1,057,424	-	5,612,107
Disposals	-	-	-	-	(4,848)	(9,742)	(74,196)	(377,595)	-	(466,381)
Write off	-	-	-	-	-	-	(10,136)	-	-	(10,136)
Exchange difference	-	-	36	(27,923)	-	(38,626)	9,662	(4,340)	-	(61,191)
Reclassification	-	(78,743)	76,555	(5,399)	4,530	120,038	(116,981)	-	-	-
At 28 February 2006	-	-	477,341	1,774,691	1,091,950	11,242,111	5,701,682	2,567,321	-	22,855,096
Net book value										
At 28 February 2006	9,102,656	-	4,998,287	18,318,285	5,078,822	8,923,480	5,766,982	1,812,567	8,515,357	62,516,436
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
Depreciation charge for the year ended 28 February 2005	-	28,638	136,739	496,002	193,159	1,602,625	722,009	519,845	-	3,699,017

Notes to the Financial Statements

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

<i>Company</i>	<i>Freehold land RM</i>	<i>Building RM</i>	<i>Motor vehicles RM</i>	<i>Office equipment RM</i>	<i>Work-in progress RM</i>	<i>Total RM</i>
Cost						
At 1 March 2005	1,424,909	1,745,635	323,719	367,558	375,000	4,236,821
Additions	1,485,502	-	530,000	638,071	800,461	3,454,034
Purchase from a subsidiary	-	-	-	7,123	-	7,123
Written off	-	-	-	(4,199)	-	(4,199)
At 28 February 2006	2,910,411	1,745,635	853,719	1,008,553	1,175,461	7,693,779
Accumulated depreciation						
At 1 March 2005	-	54,758	180,132	35,236	-	270,126
Charge for the year	-	34,913	91,577	135,994	-	262,484
Written off	-	-	-	(1,260)	-	(1,260)
At 28 February 2006	-	89,671	271,709	169,970	-	531,350
Net book value						
At 28 February 2006	2,910,411	1,655,964	582,010	838,583	1,175,461	7,162,429
At 28 February 2005	1,424,909	1,690,877	143,587	332,322	375,000	3,966,695
Depreciation charge for the year ended 28 February 2005	-	13,842	64,744	33,525	-	112,111

Assets under hire purchase

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

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Net book value				
Plant and machinery	1,779,167	-	-	-
Motor vehicles	483,109	705,589	238,026	99,203

Securities

Property, plant and equipment of the Group and of the Company with a net book value of RM4,816,199 (2005 : RM5,564,686) and RM1,062,500 (2005 : RM375,000) respectively are charged to banks as security for term loans granted to the Group and the Company (see Note 13).

Notes to the Financial Statements

3. Investment in subsidiaries - Company

	2006 RM	2005 RM
Unquoted shares, at cost	23,249,516	18,999,500
Less : Impairment loss	-	(350,000)
	<u>23,249,516</u>	<u>18,649,500</u>

Details of the subsidiaries are as follows :

Name of Company	Effective Interest		Place of Incorporation	Principal Activities
	2006 %	2005 %		
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.	100	100	Malaysia	Information technology adviser and consultant
DXN Land Sdn. Bhd.	100	100	Malaysia	Housing developer and building contractor
DXN Comfort Tours Sdn. Bhd.	100	100	Malaysia	Travel agent and tour operator
Reach Star Enterprise Sdn. Bhd.	100	100	Malaysia	Wholesaler and retailer of stationery, household items, hardware toiletries, gift and accessories

Notes to the Financial Statements

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

<i>Name of Company</i>	<i>Effective Interest</i>		<i>Place of Incorporation</i>	<i>Principal Activities</i>
	<i>2006</i>	<i>2005</i>		
	<i>%</i>	<i>%</i>		
Reach Star Cash & Carry Sdn. Bhd.	-	100	Malaysia	Retailing of stationery, household items, hardware toiletries, gift and accessories
Daxen Biotechnology Pte Ltd #	100	100	Peoples' Republic of China	Conduct the biotechnology research and development on health food supplements, manufacture monascus, vinegar, mycelium, and all kind of health food supplements
DXN Biotech Consultants Sdn. Bhd. (Formerly known as Auto Ridge Sdn. Bhd.)	100	-	Malaysia	Dormant
DXN International Holding Limited ("DXNIHL")	100	100	British Virgin Islands	Investment holding and provision of management services
DXN Cafe Sdn. Bhd. (Formerly known as Gita Seni Sdn. Bhd.)^	100	-	Malaysia	Dormant
DXN Oleochemicals Sdn. Bhd. (Formerly known as Future Nutri Sdn. Bhd.)^	100	-	Malaysia	Dormant
Daxen International (Nepal) Pvt. Ltd. #	100	-	Nepal	Dormant
<i>Subsidiary of DXN Land Sdn. Bhd.</i>				
Richmont Sapphire Sdn. Bhd.	100	-	Malaysia	Housing developer and building contractor

Notes to the Financial Statements

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

<i>Name of Company</i>	<i>Effective Interest</i>		<i>Place of Incorporation</i>	<i>Principal Activities</i>
	<i>2006</i>	<i>2005</i>		
	<i>%</i>	<i>%</i>		
<i>Subsidiary of DXN</i>				
<i>Oleochemicals Sdn. Bhd.</i>				
Eco Tank Sdn. Bhd. (Formerly known as LG Solar Master Sdn. Bhd.)^	100	-	Malaysia	Dormant
<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
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

Notes to the Financial Statements

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

<i>Name of Company</i>	<i>Effective Interest</i>		<i>Place of Incorporation</i>	<i>Principal Activities</i>
	<i>2006</i>	<i>2005</i>		
	<i>%</i>	<i>%</i>		
<i>Branches of DIPL</i>				
DIPL Philippines Branch *	100	100	Philippines	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
Daxen (NZ) Limited #	100	-	New Zealand	Dormant
DXN International (Australia) Pty. Ltd. #	100	-	Australia	Multi-level marketing of health care 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	Sale, purchase, import, export and distribution of natural food and vitamin supplements in the brand name of DXN
<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.

^ Not audited. Consolidated using management accounts.

Notes to the Financial Statements

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4. Land held for property development - Group

	2006 RM	2005 RM
At cost		
At 1 March 2005	-	-
Additions during the year	1,715,159	-
Acquisition of a subsidiary	100,000	-
At 28 February	<u>1,815,159</u>	<u>-</u>

5. Investment in associates - Group

	2006 RM	2005 RM
Unquoted shares, at cost	106,951	106,950
Share of post acquisition reserves	460,814	296,030
	<u>567,765</u>	<u>402,980</u>
Represented by :		
Group's share of net assets other than negative goodwill	796,910	632,125
Negative goodwill	(229,145)	(229,145)
	<u>567,765</u>	<u>402,980</u>

Details of the associates are as follows :

Name of Company	Effective Interest		Place of Incorporation	Principal Activities
	2006 %	2005 %		
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
Associate of DXN Oleochemicals Sdn. Bhd.				
DXN Biofuels Sdn. Bhd. (Formerly known as Ewin Resources Sdn. Bhd.)	50.00	-	Malaysia	Dormant

The financial year end of the associates is 28 February.

Notes to the Financial Statements

6. Goodwill on consolidation - Group

	2006 RM	2005 RM
Goodwill on consolidation, at cost	1,774,492	1,774,492
Addition : Acquisition of a subsidiary company	1,388,388	-
Less: Accumulated amortisation	(326,431)	(197,282)
Impairment	(372,652)	-
Disposal of a subsidiary company	(658,948)	-
	<u>1,804,849</u>	<u>1,577,210</u>

7. Other investments

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Quoted shares in Malaysia	107,550	107,550	-	-
Unit trusts				
- Quoted in Malaysia	98,000	98,000	-	-
- Quoted outside Malaysia	717,875	1,195,207	717,875	1,195,207
Subordinated bonds	5,000,000	-	5,000,000	-
Structured investment products	500,000	-	-	-
	<u>6,423,425</u>	<u>1,400,757</u>	<u>5,717,875</u>	<u>1,195,207</u>
Less : Allowance for diminution in value				
Quoted shares	(69,438)	(69,080)	-	-
Unit trusts				
- Quoted in Malaysia	(62,630)	(57,730)	-	-
	<u>(132,068)</u>	<u>(126,810)</u>	<u>-</u>	<u>-</u>
	<u>6,291,357</u>	<u>1,273,947</u>	<u>5,717,875</u>	<u>1,195,207</u>
Market value				
Quoted shares	38,000	38,000	-	-
Unit trusts				
- Quoted in Malaysia	35,000	40,000	-	-
- Quoted outside Malaysia	<u>717,000</u>	<u>1,295,000</u>	<u>717,000</u>	<u>1,295,000</u>

Notes to the Financial Statements

8. Property development costs - Group

	2006 RM	2005 RM
At 1 March	-	-
Add: Land cost	10,719,810	-
Development costs incurred during the year	5,850,338	-
Acquisition of a subsidiary	3,729,293	-
	<hr/>	<hr/>
At 28 February		
Represented by :		
Land	11,869,810	-
Development costs	8,429,631	-
	<hr/>	<hr/>
	20,299,441	-
	<hr/>	<hr/>

Included in the development costs is interest expense for the year amounted to RM197,375 (2005 : Nil).

9. Inventories, at cost - Group

	2006 RM	2005 RM
Raw materials	10,273,226	8,648,853
Work-in-progress	2,031,062	1,396,586
Manufactured inventories	5,617,668	4,135,760
Trading inventories	6,871,406	7,163,511
	<hr/>	<hr/>
	24,793,362	21,344,710
	<hr/>	<hr/>

Notes to the Financial Statements

10. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Trade receivables				
Corporations in which certain Directors have substantial financial interests	39,158	75,880	-	-
Associate	716,523	51,538	64	-
Others	30,379,055	22,344,502	-	-
	<u>31,134,736</u>	<u>22,471,920</u>	<u>64</u>	<u>-</u>
Other receivables, deposits and prepayments				
Amount due from subsidiaries	-	-	78,077,564	44,483,137
Others	16,563,896	12,937,118	1,623,569	37,568
	<u>16,563,896</u>	<u>12,937,118</u>	<u>79,701,133</u>	<u>44,520,705</u>
	<u><u>47,698,632</u></u>	<u><u>35,409,038</u></u>	<u><u>79,701,197</u></u>	<u><u>44,520,705</u></u>

Company

The non-trade amount due from subsidiaries consists mainly of payments made on behalf of the subsidiaries, advances and management fee receivable. The amount is unsecured, interest-free and has no fixed terms of repayment.

11. Cash and cash equivalents

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Short term deposits	1,001,068	-	1,001,068	-
Fixed deposits with licensed banks	12,769,374	5,591,089	3,692,319	669,986
Cash and bank balances	35,577,636	26,785,303	9,524,015	609,183
	<u>49,348,078</u>	<u>32,376,392</u>	<u>14,217,402</u>	<u>1,279,169</u>

Notes to the Financial Statements

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11. Cash and cash equivalents (Cont'd)

Included in fixed deposits with licensed banks of the Group and of the Company is an amount of RM7,094,364 (2005 : RM2,923,316) and RM311,080 (2005 : RM300,000) respectively which are pledged to banks for facilities granted to the Group and the Company.

12. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Trade payables				
Corporation in which certain Directors have substantial financial interests	146,698	-	6,500	-
Others	4,381,578	6,948,826	-	-
	<u>4,528,276</u>	<u>6,948,826</u>	<u>6,500</u>	<u>-</u>
Other payables and accrued expenses				
Amount due to subsidiaries	-	-	1,707,120	74,662
Amount due to Directors	662,743	630,995	368,264	56,983
Dividend payable	2,141,830	1,300,072	2,141,830	1,300,072
Others	21,917,080	12,608,274	2,945,280	232,168
	<u>24,721,653</u>	<u>14,539,341</u>	<u>7,162,494</u>	<u>1,663,885</u>
	<u><u>29,249,929</u></u>	<u><u>21,488,167</u></u>	<u><u>7,168,994</u></u>	<u><u>1,663,885</u></u>

Group and Company

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

Company

The non-trade amount due to subsidiaries consists mainly payments made on behalf of the Company and is unsecured, interest-free and has no fixed terms of repayment.

Notes to the Financial Statements

13. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Current :				
Term loans - secured	185,030	164,910	100,815	93,181
Bankers' acceptances - secured	3,531,000	4,368,118	-	-
Bank overdrafts - secured	229,803	150,969	-	-
Hire purchase obligations	508,214	202,729	44,000	24,000
	<u>4,454,047</u>	<u>4,886,726</u>	<u>144,815</u>	<u>117,181</u>
Non-current :				
Term loans - secured	53,216,349	1,627,023	50,758,802	149,107
Hire purchase obligations	1,361,764	243,091	118,000	62,000
	<u>54,578,113</u>	<u>1,870,114</u>	<u>50,876,802</u>	<u>211,107</u>

The bankers' acceptances and bank overdrafts of the Group are subject to interest rates at 1.50% to 2.50% (2005 : 1.00% to 2.50%) per annum above the lenders' discounting rate or base lending rates and secured by way of negative pledge and corporate guarantee by the Company.

The 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 of the Company respectively (see Note 2).

Terms and debt repayment schedule

	<i>Total RM</i>	<i>Within 1 year RM</i>	<i>1 - 2 years RM</i>	<i>2 - 5 years RM</i>	<i>Over 5 years RM</i>
Group					
2006					
Secured term loans					
Fixed interest at 5.25% to 8.15% per annum	<u>53,401,379</u>	<u>185,030</u>	<u>203,245</u>	<u>52,043,947</u>	<u>969,157</u>

Notes to the Financial Statements

13. Borrowings (Cont'd)

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

Company

2006					
Secured term loans					
Fixed interest at 5.25% to 7.13% per annum	<u>50,859,617</u>	<u>100,815</u>	<u>106,544</u>	<u>50,652,258</u>	<u>-</u>

2005					
Secured term loans					
Fixed interest at 3.72% per annum	<u>242,288</u>	<u>93,181</u>	<u>149,107</u>	<u>-</u>	<u>-</u>

Hire purchase obligations

Hire purchase obligations are payable as follows :

	<i>← Payments RM</i>	<i>2006 Interest RM</i>	<i>Principal RM →</i>	<i>← Payments RM</i>	<i>2005 Interest RM</i>	<i>Principal RM →</i>
Group						
Less than 1 year	601,338	93,124	508,214	229,108	26,379	202,729
Between 1 and 5 years	1,625,685	263,921	1,361,764	284,973	41,882	243,091
	<u>2,227,023</u>	<u>357,045</u>	<u>1,869,978</u>	<u>514,081</u>	<u>68,261</u>	<u>445,820</u>

Notes to the Financial Statements

13. Borrowings (Cont'd)

	← 2006 →			← 2005 →		
	<i>Payments</i> RM	<i>Interest</i> RM	<i>Principal</i> RM	<i>Payments</i> RM	<i>Interest</i> RM	<i>Principal</i> RM
Company						
Less than 1 year	50,720	6,720	44,000	28,020	4,020	24,000
Between 1 and 5 years	135,165	17,165	118,000	72,385	10,385	62,000
	<u>185,885</u>	<u>23,885</u>	<u>162,000</u>	<u>100,405</u>	<u>14,405</u>	<u>86,000</u>

The hire purchase obligations of the Group and of the Company are subject to fixed interests ranging from 2.70% to 5.75% (2005 : 3.35% to 5.00%) per annum.

14. Share capital - Group/Company

	2006 RM	2005 RM
Ordinary shares of RM0.25 each		
Authorised		
400,000,000 shares of RM0.25 each	<u>100,000,000</u>	<u>100,000,000</u>
	<i>No. of ordinary shares</i>	<i>RM</i>
Issued and fully paid :		
Balance as at 1 March 2004	240,052,000	60,013,000
Issue of shares - ESOS	702,000	175,500
Balance at 28 February 2005	<u>240,754,000</u>	<u>60,188,500</u>
Balance at 1 March 2005	240,754,000	60,188,500
Issue of shares - ESOS	10,000	2,500
Balance at 28 February 2006	<u>240,764,000</u>	<u>60,191,000</u>

Details of the share options are disclosed in Note 20 to the financial statement.

Notes to the Financial Statements

15. Reserves

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Non-distributable				
Share premium	1,612,621	1,606,621	1,612,621	1,606,621
Exchange fluctuation reserve	(266,832)	439,141	-	-
Distributable				
Retained profits	55,450,764	38,669,748	12,515,896	6,351,668
	<u>56,796,553</u>	<u>40,715,510</u>	<u>14,128,517</u>	<u>7,958,289</u>

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.

Treasury shares

The shareholders of the Company by a special resolution passed in Annual General Meeting held on 18 August 2005 approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company which comprises ordinary shares with par value of RM0.25 each ("Share Buy Back").

During the year, the Company purchased 2,782,700 of its issued shares from the open market. The average price paid for the shares purchased was RM0.71 per share.

The shares bought back are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

16. Negative goodwill - Group

	<i>2006 RM</i>	<i>2005 RM</i>
Balance as at 1 March	10,706,270	10,706,270
Acquisition of subsidiaries	167,141	-
Balance as at 28 February	<u>10,873,411</u>	<u>10,706,270</u>

Notes to the Financial Statements

17. Deferred tax

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Deferred tax liabilities	1,501,365	1,249,053	72,099	98,000
Deferred tax assets	(673,185)	(188,245)	-	-
At 28 February	<u>828,180</u>	<u>1,060,808</u>	<u>72,099</u>	<u>98,000</u>

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

	<i>At 1.3.2005 RM</i>	<i>Income statement RM</i>	<i>Exchange difference RM</i>	<i>At 28.2.2006 RM</i>
Group				
Property, plant and equipment				
- capital allowances	927,434	(188,354)	-	739,080
Unutilised tax losses	(457,256)	43,443	(21,092)	(434,905)
Provision	441,009	(83,767)	23,242	380,484
Unrealised foreign exchange loss	149,621	(15,929)	9,025	142,717
Trade receivables	-	833	(29)	804
	<u>1,060,808</u>	<u>(243,774)</u>	<u>11,146</u>	<u>828,180</u>

Company

Property, plant and equipment				
- capital allowances	98,345	38,593	-	136,938
Unutilised tax losses	(14,479)	14,479	-	-
Provisions	-	(23,044)	-	(23,044)
Unrealised foreign exchange loss/(gain)	14,134	(55,929)	-	(41,795)
	<u>98,000</u>	<u>(25,901)</u>	<u>-</u>	<u>72,099</u>

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 Statements

18. Revenue

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Invoiced value of goods sold less discounts and returns	180,615,326	169,808,607	-	-
Gross dividends from subsidiaries	-	-	12,000,000	9,000,000
Management fee	-	-	6,900,000	5,200,000
	<u>180,615,326</u>	<u>169,808,607</u>	<u>18,900,000</u>	<u>14,200,000</u>

19. Other operating income/(Operating expenses)

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

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
After charging :				
Auditors' remuneration				
- current year	201,041	167,105	18,000	18,000
- prior year	14,187	5,400	3,000	5,000
Directors' emoluments				
Directors of the Company				
- Fees	144,000	204,000	144,000	204,000
- Others	1,791,468	1,301,239	1,791,468	1,301,239
Other Directors				
- Fees	2,560	10,110	-	-
- Others	321,321	393,453	-	-
Amortisation of goodwill on consolidation	129,149	177,449	-	-
Impairment on goodwill on consolidation	372,652	-	-	-
Bad debts written off	350,930	7,719	-	-
Plant and equipment written off	10,433	14,264	2,939	1,045
Allowance for doubtful debts	523,143	860,139	-	-
Allowance for diminution in value of other investments	5,258	14,240	-	-

Notes to the Financial Statements

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

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Loss on foreign exchange				
- realised	-	178,709	33,307	6,458
- unrealised	232,975	-	54,901	-
Rental of premises	1,910,845	2,278,081	52,684	20,633
Hire of motor vehicle	235,519	89,448	-	-
Rental of office equipment and facility	529	8,094	-	-
and crediting :				
Rental income on premises	251,229	171,048	24,000	24,000
Gain on foreign exchange				
- realised	322,639	-	-	-
- unrealised	-	547,427	-	-
Dividend income on quoted shares	4,490	2,648	-	-
Interest income	1,031,206	319,026	709,417	38,495
Gain on disposal of plant and equipment	25,183	9,659	-	-
Royalty income	-	144,400	-	-
Gain on disposal of other investments	189,334	-	189,334	-
Gain on disposal of a subsidiary	351,884	-	-	-

The estimated monetary value of benefits receivable by certain Directors otherwise than in cash from the Group and the Company amounted to RM26,300 (2005 : RM35,100).

20. Staff costs

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Staff costs (including executive Directors' remuneration)	22,225,860	19,761,083	5,308,870	3,729,939

Included in staff costs of the Group and of the Company is RM1,651,701 (2005 : RM1,537,746) and RM504,240 (2005 : RM385,590) respectively representing contributions made to the Employees' Provident Fund.

Notes to the Financial Statements

20. Staff costs (Cont'd)

The number of employees of the Group and of the Company (including executive Directors) at the end of the year was 1,119 (2005 : 1,031) and 85 (2005 : 50) respectively.

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 executives are as follows:

	Group/Company	
	2006	2005
	RM	RM
Outstanding at 1 March	6,667,000	3,922,000
Granted	-	3,447,000
Exercised	(10,000)	(702,000)
Cancelled	(3,737,000)	-
Outstanding at 28 February	<u>2,920,000</u>	<u>6,667,000</u>

Details of share options granted during the year :

Expiry date	-	29.10.2008
Exercise price per ordinary share (RM)	-	0.85
Aggregate proceeds if shares are issued (RM'000)	-	2,930

Details of share options exercised during the year :

Expiry date	29.10.2008	29.10.2008
Exercise price per ordinary share (RM)	0.85	0.82/0.85
Aggregate issue proceeds (RM'000)	8.5	576
Fair value at date of issue (RM'000)	8.5	651

The Group and the Company received proceeds of RM8,500 in respect of the 10,000 options exercised during the year; RM2,500 was credited to share capital and RM6,000 was credited to share premium.

Notes to the Financial Statements

21. Finance costs

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Bank overdrafts	34,029	3,690	24,519	53
Hire purchase	79,918	42,289	4,020	4,937
Term loans	1,967,875	315,258	1,823,009	-
Bankers' acceptances	115,198	100,680	-	-
Others	2,660	58,464	-	-
	<u>2,199,680</u>	<u>520,381</u>	<u>1,851,548</u>	<u>4,990</u>

22. Tax expense

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Current tax expense				
Based on results for the year				
- Malaysian	4,158,919	2,599,608	37,301	17,000
- Foreign	2,342,366	1,976,062	-	-
	6,501,285	4,575,670	37,301	17,000
Prior year	113,184	25,772	17,276	32,313
	<u>6,614,469</u>	<u>4,601,442</u>	<u>54,577</u>	<u>49,313</u>
Deferred tax expense				
- Current year	(116,138)	602,217	103,633	79,000
- Prior year	(127,636)	489,304	(129,534)	19,000
	(243,774)	1,091,521	(25,901)	98,000
Share of tax of associates	72,859	1,278	-	-
	<u>6,443,554</u>	<u>5,694,241</u>	<u>28,676</u>	<u>147,313</u>

Notes to the Financial Statements

22. Tax expense (Cont'd)

Reconciliation of effective tax expense

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Profit before tax	<u>27,522,321</u>	<u>27,758,576</u>	<u>10,490,655</u>	<u>8,901,689</u>
Income tax using				
Malaysian tax rate	7,706,250	7,772,401	2,937,383	2,492,473
Non-deductible expenses	947,797	297,782	563,551	123,527
Tax exempt dividend	-	-	(3,360,000)	(2,520,000)
Tax incentive	(1,784,251)	(1,561,572)	-	-
Income exempted from tax	(98,223)	(89,653)	-	-
Effect of different tax rates				
in foreign jurisdictions	(823,458)	(1,293,791)	-	-
Losses not available				
for set off	288,622	41,084	-	-
Others	221,269	12,914	-	-
	<u>6,458,006</u>	<u>5,179,165</u>	<u>140,934</u>	<u>96,000</u>
(Over)/Under provision				
in prior years	(14,452)	515,076	(112,258)	51,313
	<u>6,443,554</u>	<u>5,694,241</u>	<u>28,676</u>	<u>147,313</u>

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.

The subsidiary of the Company, namely DXN Pharmaceutical Sdn. Bhd. has been granted pioneer status for a five-year period commencing from 1 March 2001 to 28 February 2006 for the cultivation and processing of medicinal plants of which 70% of the statutory income from the approved activities is exempted from income tax.

Notes to the Financial Statements

23. Earnings per ordinary share - Group

Basic earnings per ordinary share

The earnings per ordinary share has been calculated based on the net profit attributable to shareholders of RM21,078,767 (2005 : RM22,064,335) and the weighted average number of ordinary shares outstanding during the financial year of 239,657,844 (2005 : 240,463,707).

Weighted average number of ordinary shares

	2006	2005
Issued ordinary shares at beginning of year	240,754,000	240,052,000
ESOS	9,644	411,707
Share buy back	(1,105,800)	-
Weighted average number of ordinary shares	<u>239,657,844</u>	<u>240,463,707</u>

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM21,078,767 (2005 : RM22,064,335) and the weighted average number of ordinary shares outstanding during the year of 239,657,844 (2005 : 240,658,866) calculated as follows:

	2006	2005
Weighted average number of ordinary shares as above	239,657,844	240,463,707
Effect of ESOS	-	195,159
Weighted average number of ordinary shares (diluted)	<u>239,657,844</u>	<u>240,658,866</u>

Notes to the Financial Statements

24.Dividends

	2006 RM	2005 RM
Final dividend paid :		
2005 - 5% less 28% tax based on 239,546,900 ordinary shares of RM0.25 each (2004 : 5% less 28% tax based on 240,503,000 ordinary shares of RM0.25 each)	2,155,921	2,164,527
Interim dividend of 5% less 28% tax based on 237,981,300 ordinary shares of RM0.25 each (2005 : 3% less 28% tax based on 240,754,000 ordinary shares of RM0.25 each)	2,141,830	1,300,072
	<u>4,297,751</u>	<u>3,464,599</u>

The proposed final dividend of 5% less 28% tax in respect of the year ended 28 February 2006 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 2006.

25.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 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 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.

Notes to the Financial Statements

25. Segmental information - Group (Cont'd)

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.

	Malaysia RM	India RM	Philippines RM	Others RM	Eliminations RM	Consolidated RM
2006						
Revenue from external customers by location of customers	45,654,270	22,273,710	123,903,420	45,499,800	(56,715,874)	180,615,326
Segment assets by location of assets	144,389,183	27,178,530	16,446,347	25,316,170	-	213,330,230
Capital expenditure by location of assets	17,556,855	5,064	250,859	2,777,133	-	20,589,911
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

26. Significant related companies transactions - Group/Company

26.1 Related party relationships

- i) Subsidiaries and associates of the Company as disclosed in Note 3 and Note 5 respectively.
- ii) Related parties
 - a) Tastiway Sdn. Bhd. in which, Mr. Lim Beng Lee and Ms. Khor Yuan Ning, the brother and sister-in-law of Dato' Dr. Lim Siow Jin, Mr. Lim Boon Yee and Ms. Lim Yew Lin are the shareholders.
 - b) Daxin Gano (Thailand) Co. Ltd. in which, Dato' Dr. Lim Siow Jin is the substantial shareholder.

Notes to the Financial Statements

26. Significant related companies transactions - Group/Company (Cont'd)

- c) Jumping Horse Trading Co. Ltd. in which, Mr. Lim Boon Yee is a Director and substantial shareholder.
- d) Panaroma Network Sdn. Bhd. in which, Mr. Lim Boon Yee and Ms. Lim Yew Lin are Directors and substantial shareholders.
- e) Daxen Inc. (Puerto Rico) in which, Mr. Lee Chiew Khim and Ms. Khor Yuan Ning, the brother-in-law and sister-in-law of Dato' Dr. Lim Siow Jin, Mr. Lim Boon Yee and Ms. Lim Yew Lin are the shareholders.

26.2 Related party transactions

26.2.1 There were no transactions with the Directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment;

26.2.2 Transactions with subsidiaries:

	2006 RM	2005 RM
Company		
Dividend income	12,000,000	9,000,000
Management fees receivable	6,900,000	5,200,000
Rental of premises receivable	24,000	24,000

26.2.3 Transactions with related parties

	2006 RM	2005 RM
Company		
Purchase of equipment		
- Panaroma Network Sdn. Bhd.	130,826	122,302
Group		
Sale of manufactured goods		
- DXN International (Thailand) Co. Ltd.	1,895,356	1,568,440
- DXN International (Australia) Proprietary Ltd. *	1,314,433	1,044,266
- Daxin Gano (Thailand) Co. Ltd.	3,223,905	3,048,693
- Jumping Horse Trading Co. Ltd.	65,987	79,330
- Tastiway Sdn. Bhd.	8,044	-
- Daxen Inc. (Puerto Rico)	1,091,076	-

Notes to the Financial Statements

26. Significant related companies transactions - Group/Company (Cont'd)

26.2.3 Transactions with related parties (Cont'd)

	<i>2006 RM</i>	<i>2005 RM</i>
Sale of air tickets		
- Tastiway Sdn. Bhd.	<u>27,354</u>	<u>13,221</u>
Purchase of raw materials / equipments		
- Tastiway Sdn. Bhd.	2,125,563	1,922,130
- Panaroma Network Sdn. Bhd.	<u>726,009</u>	<u>601,627</u>

* Transactions from 1 March 2005 to 31 January 2006 prior to acquisition by DXN International Holding Limited.

26.2.4 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.

26.2.5 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 10 and Note 12 to the financial statements respectively.

27. Capital commitment

	<i>2006 RM</i>	<i>Group 2005 RM</i>	<i>2006 RM</i>	<i>Company 2005 RM</i>
Property, plant and equipment				
Approved but not contracted for	<u>-</u>	<u>1,307,200</u>	<u>-</u>	<u>780,000</u>
Contracted but not provided for in the financial statement	<u>42,908,116</u>	<u>3,087,628</u>	<u>993,014</u>	<u>812,500</u>

Notes to the Financial Statements

28. Operating leases - Group

Leases as lessee

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

	<i>Group</i>		<i>Company</i>	
	<i>2006 RM</i>	<i>2005 RM</i>	<i>2006 RM</i>	<i>2005 RM</i>
Less than 1 year	1,686,494	1,505,426	8,000	-
Between 1 and 5 years	984,266	394,540	9,600	-
	<u>2,670,760</u>	<u>1,899,966</u>	<u>17,600</u>	<u>-</u>

The Group and the Company leases 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 leases contain contingent rentals.

29. Contingent liabilities, unsecured

Company

a) Corporate guarantees

	<i>2006 RM</i>	<i>2005 RM</i>
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>7,447,995</u>	<u>5,069,663</u>

b) Continuing financial support

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.

Group

- a) DXN Herbal Manufacturing (India) Private Limited ("DXN Herbal"), a wholly-owned subsidiary of the Company is currently involved in a dispute with the custom authorities in India regarding the payment of custom and excise duty for certain products imported. While DXN Herbal continued to pay the differential custom and excise duty under protest, a civil appeal had been filed by the subsidiary before the Honourable Supreme Court.

Notes to the Financial Statements

29. Contingent liabilities, unsecured (Cont'd)

Based on the opinion from the subsidiary's legal counsel, the Directors are of the opinion that the subsidiary will be successful in their appeal to recover the custom and excise duty paid under protest which is currently recorded as a receivable. No provision is deemed necessary by the Directors as customers of DXN Herbal have agreed to bear the custom and excise duty paid under protest in the event that the appeal do not turn out to be favourable.

- b) DXN Herbal had on 10 February 2006 received 2 notices of demand for a total amount of RM4.44 million from the Commissioner of Income Tax, Pondicherry, India in relation to the dispute of the subsidiary's tax holiday status. DXN Herbal has appealed to the Commissioner of Income Tax, Pondicherry but has yet to receive any response regarding the above matter.

The Directors are of the opinion that no provision is necessary for the above amount as the outcome of the appeal is still uncertain at this juncture.

30. Financial instruments

Financial risk management objectives and policies

Exposure to credit, foreign currency, interest rate and liquidity risk 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 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.

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.

Notes to the Financial Statements

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30. Financial instruments (Cont'd)

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, bankers' acceptances and term loans to finance the capital expenditure and daily working capital requirements.

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.

	<i>Effective interest rate per annum %</i>	<i>Total RM</i>	<i>Within 1 year RM</i>	<i>1 - 5 years RM</i>	<i>Over 5 years RM</i>
Group					
2006					
Financial assets					
Short term deposit	2.87	1,001,068	1,001,068	-	-
Fixed deposits with licensed banks	3.33	12,769,374	12,769,374	-	-
Financial liabilities					
Secured term loans					
- fixed rate	7.09	53,401,379	185,030	52,247,192	969,157
Secured bank overdrafts	9.00	229,803	229,803	-	-
Secured bankers' acceptances	4.84	3,531,000	3,531,000	-	-

Notes to the Financial Statements

30. Financial instruments (Cont'd)

	<i>Effective interest rate per annum %</i>	<i>Total RM</i>	<i>Within 1 year RM</i>	<i>1 - 5 years RM</i>	<i>Over 5 years RM</i>
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	-	-
Company					
2006					
Financial assets					
Short term deposits	2.87	1,001,068	1,001,068	-	-
Fixed deposits with licensed banks	2.61	3,692,319	3,692,319	-	-
Financial liabilities					
Secured term loan - fixed rate	7.10	50,859,617	100,815	50,758,802	-
2005					
Financial asset					
Fixed deposits with licensed banks	3.70	669,986	669,986	-	-
Financial liabilities					
Secured term loan - fixed rate	3.72	242,288	242,288	-	-

Notes to the Financial Statements

30. Financial instruments (Cont'd)

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 February are shown below :

	Carrying value		Fair value	
	2006 RM	2005 RM	2006 RM	2005 RM
Group				
Secured term loans	53,401,379	1,791,933	*	*
Company				
Secured term loans	50,859,617	242,289	*	*

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

The fair values of the Group's and of the Company's quoted investments represents their quoted bid price at balance sheet date and are disclosed in Note 7 to the financial statements. Certain quoted investments of the Group are carried in excess of their fair values. These quoted investments have not been written down as the Directors are of the opinion that the diminution in value is temporary in nature.

Unrecognised financial instruments

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

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

	2006 RM'000	2005 RM'000
Forward foreign exchange contracts		
- contractual value	-	3,633
- unrealised losses	-	(25)
Fair value	-	3,608

Notes to the Financial Statements

31. Significant events during the financial year

During the financial year, the Company undertook the following events :

- i) Incorporated a wholly-owned subsidiary in New Zealand, Daxen (NZ) Limited, through its wholly-owned subsidiary, DXN International Holding Limited. The authorized and paid up share capital of Daxen (NZ) Limited is NZD100,000 and NZD1 respectively.
- ii) Disposed of its entire equity interest representing 100,000 ordinary shares, in Reach Star Cash & Carry Sdn Bhd, a wholly-owned subsidiary, for a total cash consideration of RM300,000.
- iii) Acquired 2 ordinary shares of RM1 each, representing the entire issued and paid up share capital of Auto Ridge Sdn. Bhd. (now known as DXN Biotech Consultant Sdn. Bhd.) for a total cash consideration of RM2.
- iv) Acquired 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of Richmond Sapphire Sdn. Bhd. for a total cash consideration of RM1,500,000 through its wholly-owned subsidiary, DXN Land Sdn Bhd (Formerly known as DXN (KL) Sdn Bhd).
- v) Incorporated a wholly-owned subsidiary in Nepal, Daxen International (Nepal) Pvt. Ltd. The authorized and initial paid up share capital of Daxen International (Nepal) Pvt. Ltd. is NPR60,000,000 and NPR100 respectively.
- vi) Acquired 2 ordinary shares of RM1 each, representing the entire issued and paid up share capital of Gita Seni Sdn. Bhd. (now known as DXN Cafe Sdn. Bhd.) for a total cash consideration of RM2.
- vii) Acquired 2 ordinary shares of RM1 each, representing the entire issued and paid up share capital of Future Nutri Sdn. Bhd. (now known as DXN Oleochemicals Sdn. Bhd.) for a total cash consideration of RM2.
- viii) Acquired 100 ordinary shares of A\$1 each, representing the entire issued and paid-up share capital of DXN International (Australia) Pty. Ltd. for a total cash consideration of RM 718,657 through its wholly-owned subsidiary, DXN International Holding Limited.
- ix) The Company through its wholly-owned subsidiary, Future Nutri Sdn. Bhd. ("FNSB")(now known as DXN Oleochemicals Sdn. Bhd.), entered into a shareholders' agreement, and a subscription and founders' agreement (collectively the "SSFA") with Green Diesel Corporation ("GDC"), a company incorporated under the laws of Florida, United States of America, for the purpose of setting-up a joint venture company known as Ewin Resources Sdn. Bhd. ("ERSB")(now known as DXN Biofuels Sdn. Bhd.) to engage in the designing, constructing, owning and operating a biodiesel processing plant; including the processing, manufacturing, selling, distributing and trading of the biodiesel products. Pursuant to the SSFA, FNSB shall subscribe for 1,250,000 new ordinary shares of RM1 each in ERSB at par, representing 50% of the enlarged issued and fully paid-up share capital of ERSB, and 1,000 redeemable cumulative preference shares of RM1 each in ERSB ("ERSB RPS") at the subscription price of RM21,430 per ERSB RPS, for a total subscription amount of RM22,680,000.

Notes to the Financial Statements

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31. Significant events during the financial year (Cont'd)

- x) Acquired 2 ordinary shares of RM1 each, representing the entire issued and paid up share capital of LG Solar Master Sdn. Bhd. (now known as Eco Tank Sdn. Bhd.) for a total cash consideration of RM2 through its wholly-owned subsidiary, Future Nutri Sdn. Bhd. (now known as DXN Oleochemicals Sdn. Bhd.).
- xi) The Company had through its wholly-owned sub-subsidiary, LG Solar Master Sdn. Bhd. ("LGMSB") (now known as Eco Tank Sdn. Bhd.), entered into a plant equipment agreement with Sonorawest Co. Inc. ("SCI"), a company incorporated under the laws of Florida, United States of America, for the purpose of construction and installation of storage tanks in Malaysia and to provide equipment, technical documentation, and services to LGMSB. The total cash consideration for the plant equipment amounted to USD2,500,000.

32. Event subsequent to the balance sheet date

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

- i) incorporated a 97.6% owned subsidiary in Dominican Republic, Daxen Inc. Dominicana, S.A. through its wholly-owned sub-subsidiary, Daxen Inc. The authorized and paid-up share capital of Daxen Inc. Dominicana, S.A. are RD 500,000 respectively.
- ii) cancelled all the remaining unexercised ESOS of the Company.

List of Properties

<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
DXN Pharma H.S.(M) 375 P.T. 1306 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Land with single storey detached factory	>4/ Freehold	26,074 m ²	4,447,416
DXN Pharma H.S.(M) 376 P.T. 1307 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Land with a single storey detached factory, 2 units of single storey detached factories and ancillary buildings	>4/ Freehold	1.604 hectares	1,747,829
DXN Pharma H.S.(M) 377 P.T. 1308 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	0.6521 hectares	59,640
DXN Pharma H.S.(M) 596 to 598 P.T. 1561 to 1563 (Formerly known as H.S.(M) 295 P.T.1304) Salit Mukim of Malau District of Kubang Pasu Kedah	Land with 2 single storey detached Mycelium farms and 19 Ganoderma sheds	>5/ Freehold	17,441 m ²	3,459,653
DXN Pharma Geran Mukim 48 Lot 946, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	0.63054 hectares	35,000

List of Properties

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<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
DXN Pharma Geran Mukim 72 Lot 947, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	2.15091 hectares	529,137
DXN Pharma Geran Mukim 639 Lot 761, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	1.31045 hectares	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	1.9183 hectares	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	0.7078 hectares	191,227
DXN Pharma Geran Mukim 332 Lot 1092 Padang Panjang Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	3.072 hectares	500,000

List of Properties

<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
DXN Pharma Geran Mukim 298 Lot 1088 Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	2.875 hectares	429,589
DXN Pharma Geran Mukim 978 Lot 1319, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	2.178 hectares	1,169,864
DXN Pharma Geran Mukim 740 Lot 618 Lubok Ipoh Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	2.8558 hectares	446,568
DXN Pharma Geran Mukim 741 Lot 619 Lubok Ipoh Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	3.1162 hectares	465,607
DXN Pharma Geran Mukim 850 Lot 542 Alor Nipan Mukim Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	2.72377 hectares	250,000
DISB Pajakan Mukim 47 Lot 1546 Perusahaan Mergong 1 Mukim of Mergung District of Kota Setar Kedah	Land with a single storey detached factory with double storey office annexe	24/ Leasehold expiring on 27.10.2039	1,012.2 m ²	402,051

List of Properties

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<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
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 ft ²	1,036,635
DISB H.S.(M) 375 P.T. 1306 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Two storeys detached factory with three storeys office annexe	>2/ Freehold	24,000 ft ²	3,301,160
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	Land with a single storey Detached house	9/ Freehold	600 m ²	301,681
DMSB GM1221 Lot 5893 Akar Peluru District of Kota Setar Kedah	Land with a 3 storeys detached office building	11/ Freehold	193 m ²	456,234
DMSB H.S.(D) 1079 Lot P.T. 9132 Mukim of Sungai Buloh District of Petaling Selangor	Land with 4 storeys terrace shopoffice	29/ Freehold	1,650 ft ²	1,260,611

List of Properties

<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
DXN H.S.(D) 169324 Lot No.PTD 85210 Mukim of Plentong District of Johor Bahru Johor	Land with 3 storey terraced shophouse	13/ Freehold	236.3376 m ²	626,102
DXN Geran 42154 Lot 566 Bandar Darul Aman (Formerly known as H.S.(D) 92/95 P.T.No.3111 Mukim of Naga) District of Kubang Pasu Kedah	Undeveloped residential land	Nil/ Freehold	731 m ²	115,635
DXN Geran Mukim 16 Lot 832, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	2.28395 hectares	148,635
DXN H.S.(M) 199 to 206 PT4546 to 4553 Alor Bakong Mukim of Pumpung District of Kota Setar Kedah	Land with 8 shoplots	>1/ Freehold	1,544 m ²	2,190,501
DXN Geran Mukim 508 Lot 4154 Sungai Korok Mukim Kota Setar Kedah	Industrial Land	Nil/ Freehold	1,205.9755 m ²	765,879

List of Properties

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<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
DXN H.S.(M) 1078 PT1528 Sungai Korok Bandar Alor Setar Kota Setar Kedah	Undeveloped residential land	Nil/ Freehold	1133.1394 m ²	719,623
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, Penang)	Land with a 2 storey detached office building	>65/ Freehold	90.4 m ²	234,740
RSESB G41 & G42 Ground Floor, Kompleks Star Parade Jalan Teluk Wanjah 05200 Alor Star Kedah	2 shoplots	11/ Leasehold expiring on 16.08.2094	915 ft ²	367,277
RSESB G-10,11,13,14 Ground Floor, Kompleks Star Parade Jalan Teluk Wanjah 05200 Alor Star Kedah	4 shoplots	11/ Leasehold expiring on 16.08.2094	1,841 ft ²	1,607,255
PT Daxen HGB No. 46 Jalan Pancasila IV No.1 Desa Cicadas Kecamatan Gunung Putri Kabupaten Bogor West Java	Land with a single storey detached factory, a single storey detached house, two stores and a guard house	7/ Leasehold expiring on 29.11.2024	4,120 m ²	627,362

List of Properties

<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
PT Daxen HGB No. 279 Lot No. B11B Jalan Jababeka VIII A Jababeka Industrial Estate 1 Cibitung Bekasi	Land with a single storey terraced factory building	7/ Leasehold expiring on 29.06.2022	1,329 m ²	86,131
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	Land with Shop offices	8 to 10/ Leasehold expiring on 3.11.2013	648 m ²	948,011
PT Daxen Tower C Unit 14-01 Wisma Gading Permai Apartment Kelapa Gading Jakarta 14240	3 bedroom apartment	8/ Leasehold expiring on 30.07.2021	78.584 m ²	85,302
PT Daxen Tower A Unit 12-05 Wisma Gading Permai Apartment Kelapa Gading Jakarta 14240	2 bedroom apartment	8/ Leasehold expiring on 30.07.2021	35.205 m ²	21,218
PT Daxen HGB No. 4 Desa Kanoman Kecamatan Cibeber Kabupaten Cianjur West Java	Uncultivated agricultural land	Nil/ Leasehold expiring on 24.9.2031	29,530 m ²	97,378

List of Properties

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<i>Registered owner/ Location</i>	<i>Description/ Existing use</i>	<i>Approximate age of building years/Tenure</i>	<i>Land area/ built up area</i>	<i>Net book value as at 28.02.2006 RM</i>
PT Daxen HGB No. 1672 Jalan Ahmad Yani No.21-N Makassar Sulawesi Selatan 90174	Land with shop office	12/ Leasehold expiring on 23.06.2014	89 m ²	96,891
DXN Herbal R.S. No. 141/4 & 142/5 Thiruvandar Koil Village Mannadipet Commune Pondicherry Union Territory	Land with single storey detached factory	>3/ Freehold	107,600 ft ²	2,079,802
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 ft ²	1,298,114
Daxen Biotech 311 Jie Fang Road Gutian County Fujian State Republic People of China	Industrial land	50/ Leasehold expiring on 07.02.2055	28,272.48 m ²	2,329,373
Daxen Biotech 283 rd , Room702, No.99 Wanding Rd. Shanghai Republic People of China	Apartment	1/ Leasehold expiring on 09.2075	140.7 m ²	1,035,465
DXN Australia Lot 9 Phillips Street Bracken Ridge Qld, 4017, Stanley County, Brisbane	Land with a single storey building	1/ Freehold	501 m ²	967,284

Statistics on Shareholdings

SHAREHOLDINGS STATISTICS - As at 27 June 2006

AUTHORISED SHARE CAPITAL	: RM100,000,000
ISSUED AND FULLY PAID UP CAPITAL	: RM 60,191,000 (inclusive of 2,949,500 treasury shares)
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

<i>Shareholdings</i>	<i>No. of shareholders</i>	<i>% of shareholders</i>	<i>No. of Shares</i>	<i>% of Issued Share Capital</i>
Less than 100	2	0.05	100	0
100 - 1,000	849	22.92	699,100	0.2904
1,001 - 10,000	2,147	57.95	9,451,736	3.9257
10,001 - 100,000	594	16.03	18,920,210	7.8584
100,001 - 12,038,199	109	2.97	65,896,154	27.3696
12,038,200 - 240,764,000	3	0.08	145,796,700	60.5558
TOTAL	3,704	100.00	240,764,000	100

Thirty Largest Shareholders

<i>Name</i>	<i>No. of Shares</i>	<i>% of Issued Share Capital</i>
1 DXN GROUP SDN. BHD.	103,378,300	43.4701
2 GELOMBANG JASA SDN. BHD.	29,735,300	12.5036
3 LIM BOON YEE	12,683,100	5.3332
4 LEMBAGA TABUNG ANGKATAN TENTERA	8,904,100	3.7441
5 FUSION EXTRAS SDN. BHD.	3,902,354	1.6409
6 JERNEH INSURANCE BHD.	3,000,000	1.2615
7 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	2,497,200	1.0501
8 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MGF)	2,412,000	1.0142
9 YEO KHEE NAM	2,300,000	0.9671
10 TEMASEK SEJATI SDN. BHD.	2,003,000	0.8423
11 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	1,905,000	0.8010
12 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	1,900,000	0.7989
13 TUNG KOK KEOW	1,550,000	0.6518
14 MEDIA ZONE SDN. BHD.	1,400,000	0.5887
15 LOH OON LING	1,115,000	0.4689
16 HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK	1,084,000	0.4558
17 LIM YEW LIN	1,052,000	0.4424
18 MAYBAN NOMINEES (TEMPATAN) SDN. BHD. MAYBAN TRUSTEES BERHAD FOR ASBI DANA AL-MUBIN (940160)	1,000,000	0.4205
19 SALINA BINTI UMAR	1,000,000	0.4205
20 OSK NOMINEES (TEMPATAN) SDN. BHD.	917,500	0.3858
EON FINANCE BERHAD FOR TENGKU FARITH RITHAUDDEEN		
21 SOON CHIN CHYE	886,900	0.3729

Statistics on Shareholdings

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22	OSK NOMINEES (TEMPATAN) SDN. BHD.	885,000	0.3721
	EON FINANCE BERHAD FOR AIMI AIZAL BIN NASHARUDDIN		
23	GOH KEAN CHUAN	870,000	0.3658
24	HRH SULTAN HJ ABDUL HALIM MUADZAM SHAH	836,100	0.3516
25	PUBLIC NOMINEES (TEMPATAN) SDN. BHD.	761,100	0.3200
	PLEGDED SECURITIES ACCOUNT FOR LIM BENG LEE (E-SPI/JKT)		
26	CHEAH SEE HAN	592,700	0.2492
27	TEH CHAI PENG	569,400	0.2394
28	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD	543,400	0.2285
	OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MSF)		
29	LIM YAN POK	520,000	0.2187
30	YEO KHEE AIK	520,000	0.2187
TOTAL:		190,723,454	80.1984

SUBSTANTIAL SHAREHOLDERS - As per Register of Substantial Shareholders as at 27 June 2006

Substantial Shareholder	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Dato' Dr. Lim Siow Jin	-	-	105,381,300@	44.3124
2. Datin Leong Bee Ling	-	-	103,378,300#	43.4701
3. DXN Group Sdn. Bhd.	103,378,300	43.4701	-	-
4. Gelombang Jasa Sdn. Bhd.	29,735,300	12.5036	-	-
5. Tengku Farith Bin Rithauddeen	917,500	0.3858	29,735,300*	12.5036
6. Azmi Bin Ahmad	545,000	0.2292	29,735,300*	12.5036
7. Aimi Aizal Nasharuddin	945,000	0.3974	29,735,300*	12.5036
8. Lim Boon Yee	12,683,100	5.3332	2,003,000^	0.8423

@ 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 27 June 2006

Name of Director	Ordinary shares of RM0.25 each				No. of unexercised ESOS options
	Direct	%	Indirect	%	
Dato' Dr. Lim Siow Jin	-	-	105,381,300@	44.3124	-
Datin Leong Bee Ling	-	-	103,378,300#	43.4701	-
Lim Boon Yee	12,683,100	5.3332	2,003,000^	0.8423	-
Lim Yew Lin	1,052,000	0.4424	-	-	-
Tengku Farith Bin Rithauddeen	917,500	0.3858	29,735,300*	12.5036	-
Dato Seri Tunku Abdul Hamid Thani	-	-	-	-	-
Ibni Almarhum Sultan Badlishah	-	-	-	-	-
Poo Ah An	100,000	0.0420	-	-	-
Ooi Soo Kok	15,000	0.0063	-	-	-

@ 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 Tenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of DXN HOLDINGS BHD ("the Company") will be held at The Gurney Resort Hotel & Residences, Function Hall 3-4, Level 2, 18 Persiaran Gurney, 10250 Penang on Friday, 18 August 2006 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 2006 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) Dato' Dr. Lim Siow Jin | 2 |
| ii) Mr. Poo Ah An | 3 |
| iii) Mr. Ooi Soo Kok | 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 2006. | 5 |
| 4. To approve Directors' Fees of RM144,000 for the year ended 28 February 2006. | 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 Tenth Annual General Meeting

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B) Proposed Renewal of Authority to Buy-back its Own Shares by the Company

**Ordinary Resolution
9**

“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 RM12,515,896 and RM1,612,621 respectively of the Company as at 28 February 2006;
- 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;
 - 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

Notice of Tenth Annual General Meeting

Ordinary Resolution

- c) to retain part of the DXN Shares so purchased as treasury shares and cancel the remainder; or
- 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 Renewal of and New 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 26 July 2006 (“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) Jumping Horse Trading Co. Ltd.	12
iv) Panaroma Network Sdn. Bhd.	13
v) Daxen Inc. (Puerto Rico)	14
vi) Conyee Sdn Bhd	15
vii) Daxen Inc. Dominicana S.A.	16

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 2006, if approved by the shareholders at the Annual General Meeting, will be paid on 10 October 2006 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 19 September 2006.

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

Notice of Tenth Annual General Meeting

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- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 19 September 2006 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: 26 July 2006

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 16, 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

Date of Meeting	Time	Place
18 August 2006	10.00 a.m.	The Gurney Resort Hotel & Residences Function Hall 3-4, Level 2, 18 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) Dato' Dr. Lim Siow Jin	Refer to page 5 of the Annual Report
ii) Mr. Poo Ah An	Refer to page 8 of the Annual Report
iii) Mr. Ooi Soo Kok	Refer to page 8 of the Annual Report

Proxy Form

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DXN HOLDINGS BHD. (No. 363120-V)

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 TENTH ANNUAL GENERAL MEETING of the Company to be held at The Gurney Resort Hotel & Residences, Function Hall 3-4, Level 2, 18 Persiaran Gurney, 10250 Penang on Friday, 18 August 2006 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		
15. Ordinary Resolution 15		
16. Ordinary Resolution 16		

(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.

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DXN Holdings Bhd.(No. 363120-V)

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