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# Corporate Information



## Board of Directors

Dr Lim Siow Jin  
*Executive Chairman/CEO*

Dato' Seri Tunku Abdul Hamid Thani  
Ibni Almarhum Sultan Badlishah

Lim Boon Yee

Tengku Farith bin Rithauddeen

Lim Yew Lin

Ooi Soo Kok

Leong Bee Ling

Poo Ah An

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## Audit Committee

### Chairman

Ooi Soo Kok  
*(Independent Non-Executive Director)*

### Members

Lim Yew Lin  
*(Executive Director)*

Poo Ah An  
*(Independent Non-Executive Director)*

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### 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 2294390  
Fax: 04 2265860

### Head Office

Wisma DXN  
213 Lebuhraya Sultan Abdul Halim  
05400 Alor Setar  
Kedah Darul Aman  
Tel: 04 7723388  
Fax: 04 7721188  
Website: [www.dxn2u.com](http://www.dxn2u.com)

### Principal Bankers

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

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

Bumiputra-Commerce Bank Berhad  
(Company No.: 13491-P)  
1787-A-H, Jalan Teluk Wanjah  
05200 Alor Setar  
Kedah Darul Aman

### Auditors

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

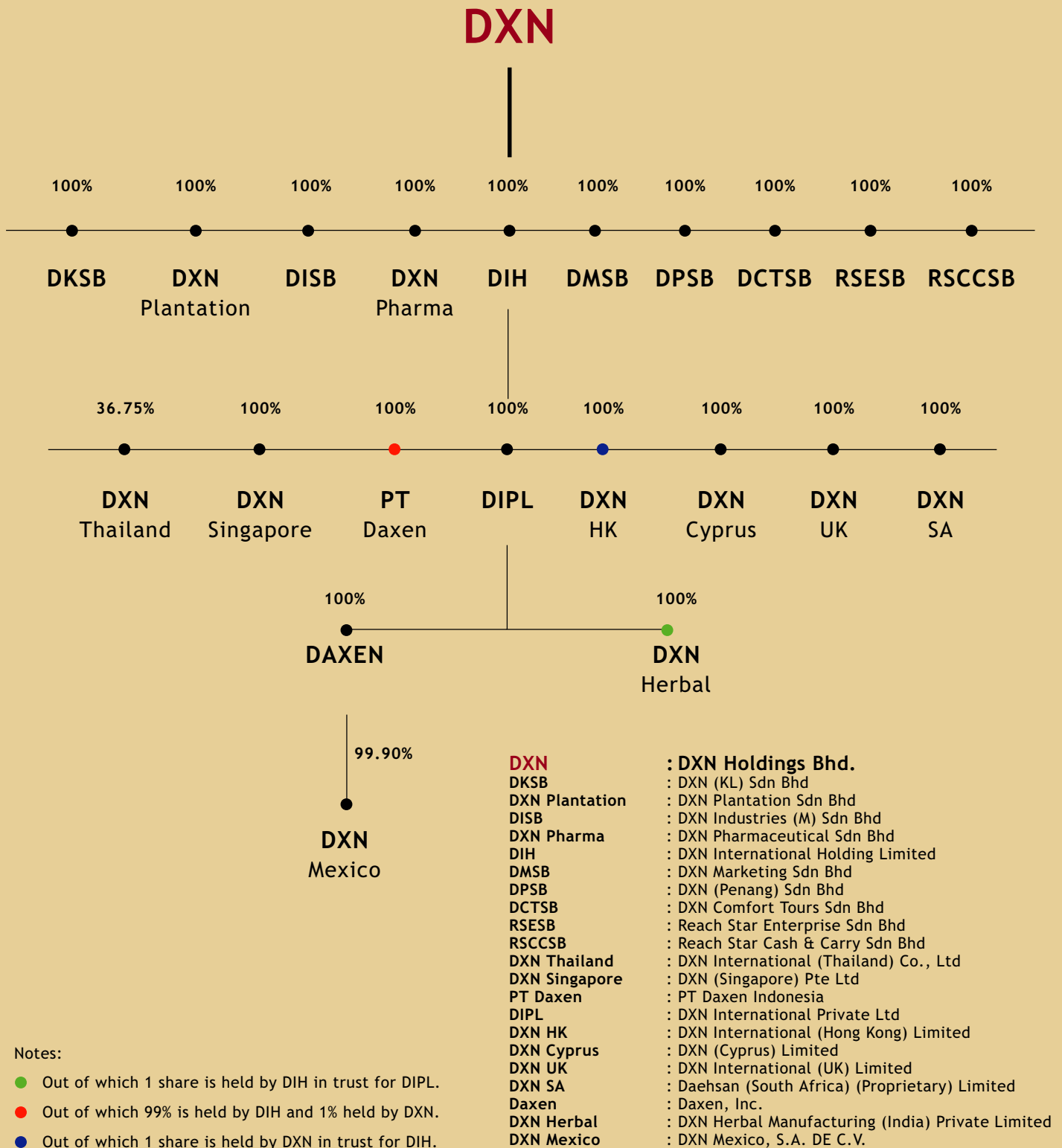
### Share Registrar

AGRITEUM Share Registration Services Sdn Bhd  
(Company No.: 578473-T)  
2nd Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel: 04 2282321  
Fax: 04 2272391

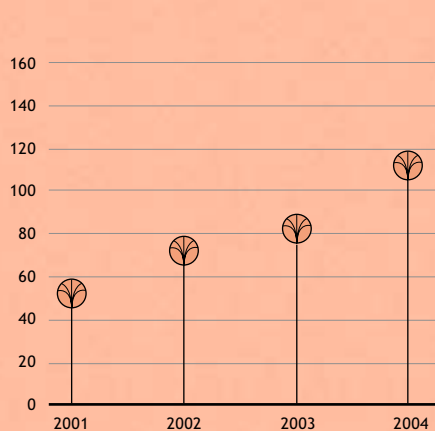
### Stock Listing Exchange

The Main Board, Bursa Malaysia Securities Berhad

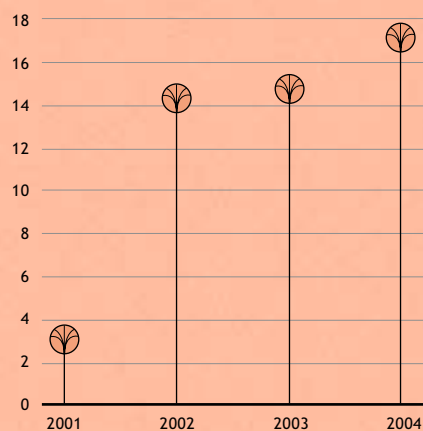
# Group Corporate Structure



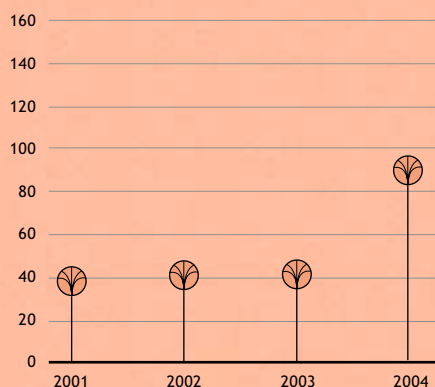
# Financial Highlights



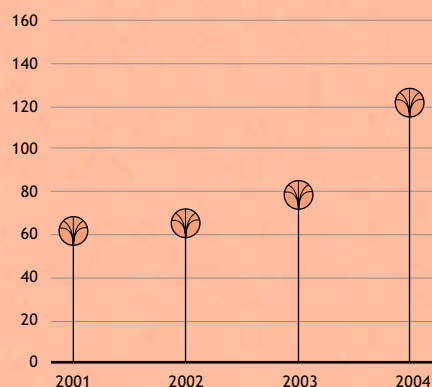
**REVENUE**  
RM millions



**PROFIT AFTER TAXATION**  
RM millions



**TOTAL SHAREHOLDERS' FUND**  
RM millions



**TOTAL ASSETS EMPLOYED**  
RM millions

	2001 RM millions	2002 RM millions	2003 RM millions	2004 RM millions
<b>Revenue</b>	46.89	65.66	74.94	104.27
<b>Profit After Taxation</b>	2.53	13.73	14.01	16.45
<b>Total Shareholders' Fund</b>	30.97	34.79	35.80	81.44
<b>Total Assets Employed</b>	54.86	59.50	76.06	115.88



## Board of Directors



Standing (from left)

•

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

Sitting (from left)

•

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

# Profile of Board of Directors

## **Dr. Lim Siow Jin (Executive Chairman/CEO)**

Dr. Lim Siow Jin, aged 44, 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 two Board Meetings held during the financial year ended 29 February 2004.

Dr. Lim Siow Jin is the spouse of Mdm. 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 40, Malaysian. He is an ESOS Committee Chairman and 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 two Board Meetings held during the financial year ended 29 February 2004.

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

## **Ms. Lim Yew Lin (Executive Director)**

Ms. Lim Yew Lin, aged 36, Malaysian. She is an ESOS Committee member and Audit Committee member. 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 two Board Meetings held during the financial year ended 29 February 2004.

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

## Profile of Board of Directors

### **Mdm. Leong Bee Ling (Non-Independent Non-Executive Director)**

Mdm. Leong Bee Ling, aged 47, 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 two Board Meetings held during the financial year ended 29 February 2004.

Mdm. Leong Bee Ling is the spouse of Dr. Lim Siow Jin.

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

Tengku Farith bin Rithauddeen, aged 33, 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 of President of SKALI till today. He is the Deputy President of Technopreneurs Association of Malaysia and sits on the National Information Technology Council. He is also Deputy President of the New Entrepreneur Forum which was established to promote the development of Bumiputera internet entrepreneurs or netpreneurs. He was selected as a Global Leader for Tomorrow in 2002 by the World Economic Forum.

He attended all two Board Meetings held during the financial year ended 29 February 2004.

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 53, Malaysian. He was appointed as an Independent Non-Executive Director of DXN on 11 August 2003. He graduated in 1971 from the Mara Institute of Technology with a diploma in hotel management.

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

He attended all two Board Meetings held during the financial year ended 29 February 2004.

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 58, Malaysian. He is an Audit Committee member and 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 two Board Meetings held during the financial year ended 29 February 2004.

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 50, Malaysian. He is an Audit Committee Chairman 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 to date.

He attended all two Board Meetings held during the financial year ended 29 February 2004.

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



# Profile of Board of Directors

## 1. Family relationship of directors

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

## 2. Conflict of interest

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

- a) Dr. Lim Siow Jin and Mdm. Leong Bee Ling ("the vendors") entered into the sale and purchase agreement with DXN ("the purchaser") on 8 August 2003 to dispose 8 units of 2-storey terrace services industry building including the land known as Lot No. PT 4546, PT 4547, PT 4548, PT 4549, PT 4550, PT 4551, PT 4552 and PT 4553, all of Mukim Pumpung, District of Kota Setar, Kedah Darul Aman held under titles H.S(M) 199, H.S(M) 200, H.S(M) 201, H.S(M) 202, H.S(M) 203, H.S(M) 204, H.S(M) 205 and H.S(M) 206 respectively for a total cash consideration of RM2,220,000. The building will be used as the Group's corporate headquarters.

## 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 31 and page 92 of the annual report.

## 5. Other directorship of public companies

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



## Chairman & CEO's Message

The World Health Organization ( WHO ) estimates the size of the global market for herbal products at RM304 billion (USD 80 billion) in 2000 to grow to RM760 billion (USD 200 billion) in 2008 and RM190 trillion (USD 50 trillion) in 2050.

On behalf of the Board of Directors of DXN Holdings Bhd, I am pleased to present the 2004 Annual Report and Financial Statements of the Group and the Company for the financial year ended 29 February 2004 since the Company's listing on the Bursa Malaysia Securities Berhad on 30 September 2003.

### Financial Performance

For the year under review, the Group recorded a turnover of RM104.3 million and pre-tax profit of RM19.3 million compared with turnover of RM74.9 million and pre-tax profit of RM17.4 million in the financial year 2003. Higher turnover was mainly due to turnover contributes by overseas subsidiaries acquired during the year. These subsidiaries business activities are mainly trading and distribution of the health food supplements, beverage and household products, which contribute lower profit margin. This explains a lower pre-tax profit margin for financial year 2004 of 18.5% as compared to the financial year 2003 of 23.5% even though the turnover was substantially higher.

## Chairman & CEO's Message

### Dividends

Subject to the shareholders' approval, the Board is recommending a final dividend of 5% less 28% tax per ordinary share of RM 0.25 each. Combined with an interim dividend of 3% less 28% tax per ordinary share of RM 0.25 each paid on 9 January 2004, the total gross dividends for the financial year 2004 will be 8% less 28% tax per ordinary share of RM 0.25 each.

### Prospects

The global market for herbal products can be categorised into medicinal herbs, health food products and non-food products such as those used in shampoos, soaps, toothpastes, cosmetics and ointments. The World Health Organization ( WHO ) estimates the size of the global market for herbal products at RM304 billion (USD 80 billion) in 2000 to grow to RM760 billion (USD 200 billion) in 2008 and RM190 trillion (USD 50 trillion) in 2050. In Malaysia, the demand was RM4.5 billion in 2001 and is expected to grow by 15-20% per annum. Thus DXN and the industry for herbal products represent potential growth prospects not only in Malaysia but also in the overseas market.

### Strategic Direction

In view of the potential of the global market, we will continue our efforts to explore more overseas markets. With the strong marketing expertise coupled with the various accreditation and certification of the Company's products, the group is confident to have a better prospect to penetrate more overseas markets. Today, we have successfully penetrated more than 30 countries and this has solidified our position to become the market leader in Lingzhi products. Currently the group is seeing the strong overseas demand growing from Middle East, North America and Africa. In domestic market, we are expecting the sales to be another highest for next financial year in view of the tremendous sales increase from month to month. We realized the importance of the R&D activities in contributing towards maintaining sustainable business growth, improvements in earnings, maintaining competitiveness and expansion of its markets. Therefore, we will continue to invest in our strength of biotechnology field to develop more new products that have market potential.

Barring any unforeseen circumstances, the Group will continue to improve value and garner an even stronger performance in 2005.

### Appreciation

On behalf of the Directors and Management of DXN Holdings Bhd., I thank all the shareholders, customers and business associates for their confidence and support for the Group. I also would like to acknowledge with gratitude the invaluable service of our management team who have not only supported me unstintingly but have contributed significantly to the group's worldwide growth and prosperity.

Dr Lim Siow Jin  
Executive Chairman/CEO





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**1. Signing of Underwriting Agreement Ceremony at Kuala Lumpur.**

The Underwriting Agreement was signed between the Company, Commerce International Merchant Bankers Berhad and Affin-UOB Securities Sdn. Bhd. on 18th August 2003.

**2. Listing of DXN on the Main Board of Bursa Malaysia Securities Berhad.**

The successful completion of the listing exercise is a significant milestone for DXN group. The listing Ceremony was held on 30th September 2003.

**3. Langkawi trip for eligible achievers.**

More than 300 achievers worldwide are selected to participate in the promotion campaign for 2 days on 19th -20th September 2003.

**4. DXN Family Day 2003 held at Bukit Wang, Kedah.**

Thousands of DXN guests were invited to participate in a series of spectacular events at the Lingzhi Farm on 6th December 2003.

**5. Malaysia International Trade & Consumer Fair 2003 held at Putra World Trade Centre, Kuala Lumpur.**

One of the marketing activities of DXN is to take part in the trade Fair or Expo to promote the Company's products.

## Corporate Highlights



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**6. Welcome to DXN Lingzhi Farm and Factory at Bukit Wang, Kedah.**

Seeing is believing. We always invite distributors to see the organic planting process of Lingzhi and the manufacturing process of the health food supplements. These activities are organized throughout the year.

**7. DXN Stokist Convention.**

Pursuing excellence customers services has always been the policy of DXN. The Stokist Convention was held with the aim to improve and strengthen the service quality of the stockists to customers.

**8. DXN 10th Anniversary and Aidilfitri held at Dewan Wawasan Kubang Pasu, Kedah.**

At least 2,000 of local and foreign distributors participated in the event and witnessed the Company's glorious achievements in the past 10 years on 6th December 2003.

**9. DXN National Convention 2004 held at Dewan Wawasan Cheras, Kuala Lumpur.**

The Convention were the enlightening and interesting presentation by the top management of the Company and three DXN Crown Diamond distributors who shared their experiences and secret of success with the participants on 14th March 2004.

**10. Travel Incentive 2002-2003 for Malaysia eligible achievers to Beijing, China.**

DXN not only rewards the achievers for bonuses but also provides the incentive for our achievers to go overseas.





## 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 in the world have improved their health by using DXN products.



## Corporate Highlights



### Health Food Supplement Series

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

### Food & Beverage Series

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

### Personal Care Series

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

### Household Product Series

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

### Skin Care & Cosmetic Series

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

### Water Treatment System Series

1. EWS
2. Filter



# Corporate Governance Statement

The Board of Directors (the “Board”) recognizes the importance of good corporate governance and is committed to upholding high standards of corporate governance within the Group to enhance shareholder’s value. Following the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad on 30 September 2003, the Board strives to adopt the substance behind the corporate governance prescriptions of the Principles and Best Practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance (the “Code”) and not merely their form.

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place since its listing and up to the end of 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.

Although a formal schedule of matters reserved to it for decision is not in place, 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 Executive Directors, who have the relevant experience and expertise to fulfil their mandate.

#### Board Balance

At the date of this Statement, the Board consists of eight (8) members, comprising three (3) Executive Directors, two (2) Non-Executive Directors and three (3) Independent Non-Executive Directors within the meaning of Section 1.01 of the Bursa Malaysia Listing Requirements (the “Listing Requirements”). This composition fulfils the requirement under Paragraph 15.02 of the Listing Requirements that stipulate at least two (2) Directors or one-third of the Board, whichever is higher, are Independent Directors.

The Directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

# Corporate Governance Statement

The roles of Executive Chairman and Chief Executive Officer (“CEO”) are combined and held by Dr. Lim Siow Jin whilst Mr. Lim Boon Yee holds the position of Managing Director. The Board is of the view that the current set-up provides a clear and distinct separation between the functions of the Executive Chairman/CEO and Managing Director to ensure a balance of authority and power within the Board. The Board is led by the Executive Chairman who also oversees the formulation of Group’s strategies, marketing plans, research and development besides ensuring all Directors receive sufficient relevant information to enable them to participate actively in Board decisions. Whilst the Managing Director helms the management and administration of the Group, the Executive Director oversees the Group’s finances. The presence of Independent Non-Executive Directors and Non-Executive Directors is essential as they provide an unbiased and independent view to the Board’s decision making and provide a capable check and balance for the Executive Directors, thereby ensuring that no one individual or group dominates the Board’s decision-making process.

A brief profile of each Director is set out on pages 6 to 9 of this Annual Report.

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

## **Board Meeting**

During the financial year ended 29 February 2004, the Board met on two (2) occasions, attended by all Directors, 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. Going forward, in order to enhance effective management of the Group, the Board plans to meet at least four (4) times a year at quarterly intervals with additional meetings to be convened when urgent and important decisions need to be taken between the scheduled meetings.

## **Board Committee**

The Board delegates certain responsibilities to the Audit Committee, with appropriate terms of reference in writing, in order to enhance business and operational efficiency as well as efficacy. The Chairman of the Audit Committee reports to the Board the outcome of the Committee meetings and excerpts of such reports are incorporated in the minutes of the full Board meeting.

## **Supply of Information**

The Executive Chairman ensures that all Directors have full and timely access to information within the Group, whether as a full Board or in their individual capacity to the extent that the information required is pertinent to the discharge of their duties as Directors. 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.

# Corporate Governance Statement

The Board has appointed the current Company Secretary after considering her capability in carrying out the duties to ensure effective functioning of the Board. Every 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.

From time to time, the Board as a whole determines, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary, in furtherance of their duties at the Group's expense.

## **Appointment and Re-election of Director**

The Board, as a whole, assumes the role of evaluating and appointing new Directors as well as recommending retiring Directors for re-election by shareholders, with the retiring Directors abstaining from the relevant discussion concerning their re-election. The Board believes that the present number of Directors is deemed optimal considering the size and nature of the Group's operations and is of the view that the current mix of experience and expertise of the Directors are sufficient and optimum in addressing the issues affecting the Group.

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 Annual General Meeting ("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. The Directors will continue to undergo other relevant training programs like the Continuing Education Programme under the auspices of Bursa Malaysia Securities Berhad to further enhance their skills and knowledge where relevant.

## **B. Directors' Remuneration**

The Board, as a whole, determines the remuneration of Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The remuneration of Executive Directors is largely based on their responsibilities, the contribution to and the performance of the Group. The remuneration of Non-Executive Directors is determined mainly according to their experience and the level of responsibilities assumed. Fees payable to Directors are proposed at the AGM for shareholders' approval.



## Corporate Governance Statement

Details of Directors' remuneration for the financial year are set out below and in Note 17 to the financial statements.

Category of remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	136,154
Salaries	1,221,814	-
Bonuses	78,000	-
Benefits-in-kind	26,300	8,800
<b>Total</b>	<b>1,326,114</b>	<b>144,954</b>

The number of Directors whose total remuneration falls within the following bands for the financial year is as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000		5
RM150,001 to RM200,000	1	
RM200,001 to RM250,000	1	
RM750,001 to RM800,000	1	

### C. Shareholders and investors

The Company recognizes the importance of accountability to its shareholders and investors. The Company 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 Company'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](http://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

# Corporate Governance Statement

- 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.

### 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 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 23 to 24 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 25 to 28 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 25 to 28 of the Annual Report.

# Corporate Governance Statement

## Compliance Statement

The Group has complied, throughout the financial year ended 29 February 2004, with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following:

- The appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed has not been made as the Chairman normally encourages participation by all Directors during meetings. However, the Board recognizes that such a function will invariably enhance the present set-up of the Board and, accordingly, will take steps to formalize the appointment;
- A Nominating Committee ("NC") has not been established during the financial year, as the Board believes that the present number of Directors is deemed optimal considering the size and nature of the Group's operations. There was no review done on the present members of the Board, as the mix of experience and expertise of the current number of Directors are considered, in the opinion of the Directors, to be sufficient and optimum in addressing the issues affecting the Group. Nevertheless, the Board will review the necessity of forming the NC in line with the Code's recommendation;
- 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;
- The Board has not developed position description for the Board and the Executive Chairman/Chief Executive Officer or any formal schedule of matters specifically reserved to it for decision. The Board recognizes the importance for a proper identification of the roles and limits of Management as well as a formal schedule on matters that require multiple Board signatures and/or Board decision and will consider enacting a Board Charter to delineate the roles and responsibilities of Executive and Non-Executive Directors;
- The Board does not have an agreed procedure in writing for Directors, whether as a full Board or in their individual capacity, in furtherance of their duties to take independent professional advice at the Company's expense, if necessary. Any need for professional advice normally comes under the purview of the Board who will deliberate on a consensual basis. This, however, will be taken into consideration upon the enactment of a Board Charter;
- A Remuneration Committee ("RC") has not been formed. The Board believes that Directors' remuneration has been expeditiously handled by the Board as a whole. However, the Board will review the necessity of forming the RC in line with the Code's recommendation;
- The Board, through the Audit Committee and the Executive Directors, has been able to identify principal business risks and ensure the implementation of appropriate controls to manage these risks. Nonetheless, the Board believes that the establishment of a formalized and structured framework to identify, evaluate and control business risks would better enhance the operations of the Group in preparing itself for the challenges ahead. In this respect, the Board has appointed a professional firm of consultants to carry out an Enterprise Risk Management review of the Company and selected subsidiaries. The review would assist the Board in identifying and evaluating principal risks on a more objective and structured method, so that appropriate controls can be implemented to manage the business risks of the Group more effectively.

# Corporate Governance Statement

## Others information

### Material Contracts

Save as disclosed hereunder, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiary companies within two (2) years immediately preceding the date of this Circular: -

- Sale and Purchase Agreement between Dr. Lim Siow Jin and Mdm. Leong Bee Ling (the "Vendors") and DXN dated 8th August, 2003, whereby the Vendors have agreed to sell to DXN all that pieces of land known as H.S(M) 199 to H.S(M) 206, Lot No. PT 4546 to PT4553 respectively, all of Mukim Pumpung, District of Kota Star, Kaedah Darulaman measuring approximately 196,192, 187, 183, 178, 173, 169 and 266 square metres (m2) respectively in area together with eight (8) units of 2 storey service industry terrace building to be erected thereon for a total consideration of RM2,220,000.00 (the "Purchase Price").

### 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. The gross proceeds are utilized as follows:

	<b>Total Proceeds</b> RM'000	<b>Utilised</b> RM'000	<b>Unutilised</b> RM'000
Repayment of bank borrowings	5,654	5,654	-
Acquisition of corporate headquarters	3,000	1,996	1,004
Construction of factory building	3,500	968	2,532
Acquisition of plant and machinery	1,000	-	1,000
Share issue expenses	2,500	2,624	(124)
Working capital	12,979	12,979	-
	<u>28,633</u>	<u>24,221</u>	<u>4,412</u>

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

# Statement On Internal Control

## Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors of listed companies to maintain a sound internal control system to safeguard shareholders' investment and 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 29 February 2004, which is made pursuant to paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

## Board Responsibility

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

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

## Management Style and Monitoring Mechanism

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

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

## Risk Management Framework

The Board recognizes the importance of effective risk management towards ensuring good business management practices. Currently, there is no structured risk management process and framework being adopted to assess significant risks, which may affect the achievement of Group's business objectives. However, there was an on-going informal process throughout the financial year under review to identify and manage principal risks associated with the operation of the Group. The Executive Directors, together with key management personnel, review the key business risks affecting the Group on a continuous basis.

Subsequent to financial year-end, the Board has appointed a professional firm of consultants to carry out an Enterprise Risk Management review of the Company and selected subsidiaries in the Group, 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.



# Statement On Internal Control

## Assurance Mechanism

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

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 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 management letter, or are articulated at the Board and Audit Committee meetings.

The Audit Committee Report is set out on pages 25 to 28 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 and comprehensive information are provided to senior management covering financial performance and key business indicators for their review and comments to ensure exceptions are appropriately explained for; and
- Regular visits to operating units by senior management and, where deemed appropriate, by the Executive Directors.

The Board is of the opinion that there is no significant breakdown or weakness in the system of internal control of the Group that have resulted in material losses incurred by the Group for the financial year ended 29 February 2004. The Board, together with senior management, continues to take measures to strengthen the control environment.

# Audit Committee Report

The Audit Committee (the "Committee") was established by the Board on 11 September 2003 and currently 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)

## 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.
- 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.

# Audit Committee Report

## 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.

# Audit Committee Report

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

# Audit Committee Report

## Summary of Audit Committee's Activities

Since its establishment on 11 September 2003 and up to end of the financial year under review, Committee held one meeting, which was attended by all Committee members. Subsequent to financial year-end, the Committee held another meeting on 21 April 2004 which was also attended by all Committee members.

The notice of meeting and agenda were circulated to all Committee members with sufficient notification for the meeting. During the meeting, the Head of Corporate Finance, Financial Controller, Internal Audit Manager as well as External Auditors were also present by invitation. All proceedings from the Committee meeting recorded by the Company Secretary, with the minutes signed off by the Chairman.

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. Adoption of the terms of reference approved by the Board of Directors;
2. Review of quarterly financial statements before recommending to the Board for approval and announcement to Bursa Malaysia Securities Berhad;
3. 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. Non audit fee of RM174,000 was paid to external auditor;
4. Review and approval of the internal audit plans, including the reports on findings from internal audit carried out on selected companies in the Group;
5. Review of the related party transactions entered into by the Group; and
6. Going forward, the Committee will be reviewing the risk management and assessment process to ensure appropriate controls are put in place to address the principal business risks faced by the Group.

## Internal Audit Function

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

During the financial year, the Internal Audit Department undertook audit visits to the major 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.



# Financial Statement

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# Directors' Report

## for the year ended 29 February 2004

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 29 February 2004.

### 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 acquisitions of subsidiaries as mentioned in Note 3 to the financial statements pursuant to the restructuring scheme.

### RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	<u>16,445,245</u>	<u>1,947,371</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) second interim dividend of 2,133.33% tax exempt (based on issued capital of 375,000 ordinary shares of RM1 each) amounting to RM8,000,000 in respect of the year ended 28 February 2003 on 18 August 2003; and
- ii) interim dividend of 3% less 28% tax (based on issued capital of 240,000,000 ordinary shares of RM0.25 each), amounting to RM1,296,000 in respect of the year ended 29 February 2004 on 9 January 2004.

A final dividend of 5% less 28% tax has been recommended by the directors in respect of the year ended 29 February 2004, subject to the approval of shareholders at the forthcoming Annual General Meeting.

# Directors' Report

## for the year ended 29 February 2004

### DIRECTORS OF THE COMPANY

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

Dr. Lim Siow Jin  
 Leong Bee Ling  
 Lim Boon Yee  
 Lim Yew Lin  
 Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah  
 Poo Ah An  
 Ooi Soo Kok  
 Tengku Farith bin Rithauddeen

### DIRECTORS' 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:

<div>← RM1.00 each →</div>		<div>← Ordinary Shares →</div>				<div>← RM0.25 each →</div>	
<u>Balance at</u> <u>1.3.2003</u>	<u>(Sold)</u>	<u>Balance</u> <u>before</u> <u>share split</u>	<u>Share</u> <u>Split</u>	<u>Bonus</u> <u>Issue</u>	<u>Allotment</u>	<u>Bought</u>	<u>Balance at</u> <u>29.2.2004</u>

#### The Company

#### Shareholdings in which directors have

#### Direct interest

Dr. Lim Siow Jin	150,000	-	150,000	450,000	5,800,000	17,789,045	-	(24,189,045)	-
Leong Bee Ling	150,000	(20,847)	129,153	387,459	2,683,388	5,475,955	-	(8,675,955)	-
Lim Boon Yee	-	-	-	-	-	4,194,500	11,821,600	(4,855,000)	11,161,100
Lim Yew Lin	-	-	-	-	-	900,000	1,070,000	(1,108,000)	862,000
Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	-	-	-	-	-	100,000	-	(100,000)	-
Poo Ah An	-	-	-	-	-	100,000	-	-	100,000
Tengku Farith bin Rithauddeen	-	-	-	-	-	1,000,000	-	(82,500)	917,500

#### Deemed interest

Dr. Lim Siow Jin	-	-	-	-	-	122,400,000	-	(20,000,000)	102,400,000
Leong Bee Ling	-	-	-	-	-	122,400,000	-	(20,000,000)	102,400,000
Tengku Farith bin Rithauddeen	75,000	-	75,000	225,000	24,400,000	25,300,000	-	(12,480,700)	37,519,300
Ooi Soo Kok	-	-	-	-	-	-	100,000	(30,000)	70,000

## Directors' Report

### for the year ended 29 February 2004

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

	<u>Option price</u> <u>RM</u>	<u>Balance at</u> <u>1.3.2003</u>	<u>Number of Options for</u> <u>Ordinary Shares of RM0.25 each</u>		<u>Balance at</u> <u>29.2.2004</u>
			<u>Granted</u>	<u>(Exercised)</u>	
<u>The Company</u>					
Dr. Lim Siow Jin	0.82	-	360,000	-	360,000
Lim Boon Yee	0.82	-	800,000	-	800,000
Lim Yew Lin	0.82	-	500,000	-	500,000

None of the other directors holding office at 29 February 2004 had any interest in the ordinary shares of the Company and 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 the following :

- i) certain directors who may be deemed to derive a benefit by virtue of those transactions entered in the ordinary course of business between certain companies in the Group and companies in which the directors have substantial financial interests;
- ii) certain directors who may be deemed to derive a benefit from a restructuring scheme approved by the Securities Commission in which the Company issued 17,169,000 new ordinary shares of RM0.25 each at par, to acquire new subsidiaries from certain directors; and
- iii) acquisition of property, plant and equipment amounting to RM2,220,000 from certain directors of the Company.

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 following:

- i) pursuant to the listing and quotation of the Company's entire issued and paid-up share capital on the Main Board of the Bursa Malaysia Securities Berhad, 8,800,000 ordinary shares were reserved for directors and eligible employees of the Group; and
- ii) issue of the Executive Share Option Scheme ("ESOS").

## Directors' Report for the year ended 29 February 2004

### ISSUE OF SHARES AND DEBENTURES

During the financial year,

- i) the authorised ordinary share capital of the Company was split from 500,000 ordinary shares of RM1.00 each to 2,000,000 ordinary shares of RM0.25 each; and
- ii) the authorised ordinary share capital of the Company was increased from RM500,000 to RM100,000,000 divided into 400,000,000 ordinary shares of RM0.25 each.

The issued and fully paid-up share capital of the Company was increased from RM375,000 to RM60,013,000 as follows :

<u>No of ordinary shares</u>	<u>Par value RM</u>	<u>Consideration</u>
122,000,000	0.25	Bonus issue of approximately 81.33 new shares for every 1 ordinary share held at RM0.25 per ordinary shares
6,904,050	0.25	Issued pursuant to the acquisition of DXN International Private Ltd at RM0.25 per ordinary share
8,086,100	0.25	Issued pursuant to the acquisition of PT Daxen Indonesia at RM0.25 per ordinary share
583,580	0.25	Issued pursuant to the acquisition of DXN International (Hong Kong) Limited at RM0.25 per ordinary share
1,167,470	0.25	Issued pursuant to the acquisition of DXN Singapore Pte Ltd at RM0.25 per ordinary share
427,800	0.25	Issued pursuant to the acquisition of DXN International (Thailand) Co. Ltd at RM0.25 per ordinary share
89,331,000	0.25	Right issue of approximately 6.35 new shares for every 10 ordinary shares held at RM0.25 per ordinary shares
10,000,000	0.25	Public issue at RM0.63 per ordinary share
52,000	0.25	ESOS at RM0.82 per ordinary share
<u>238,552,000</u>		

The purpose of the public issue is to finance capital expenditure, repayment of bank borrowings, payment for share issue expenses and for working capital.

Subsequent to the balance sheet date, the issued and paid-up share capital of the Company was increased by 295,000 ordinary shares of RM0.25 each at RM0.82 per ordinary share to 240,347,000 ordinary shares pursuant to ESOS.

These new shares are to be ranked pari passu in all respect with the existing ordinary shares of the Company in issue.

# Directors' Report

## for the year ended 29 February 2004

### 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.

On 11 August 2003, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company, to eligible executive of the Group.

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

<u>Date of offer</u>	<u>Option Price</u> <u>RM</u>	<u>Number of options over ordinary shares of RM0.25 each</u>			
		<u>Balance at</u> <u>1.3.2003</u>	<u>Granted</u>	<u>Exercised</u>	<u>Balance at</u> <u>29.2.2004</u>
8.12.2003	0.82	-	3,974,000	(52,000)	3,922,000

The details of the ESOS granted to the executives who have been granted with 80,000 options or more on 8 December 2003 are as follows :

	<u>Number of options over</u> <u>ordinary shares of RM0.25 each</u>
Dr. Lim Siow Jin	360,000
Lim Boon Yee	800,000
Lim Yew Lin	500,000
Tan Young Tat	300,000
Ooi Boon Keong	90,000
Heng Hau Tong	80,000
Triono Untung Piryadi	80,000
Loh Pau Loon	80,000
Lim Chea Lin	80,000
Ooi Chaw Ying	80,000

Other than the above, a balance of 1,524,000 was granted to 51 executives of the Group. The average number of options to individual executive is 29,882.

The external auditors have verified the allocation of options granted during the financial year.

The salient features of the scheme 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.



# Directors' Report

## for the year ended 29 February 2004

### OPTIONS GRANTED OVER UNISSUED SHARES (Cont'd)

- 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 events are disclosed in Note 28 to the financial statements.

### OTHER STATUTORY INFORMATION

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

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

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

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

# Directors' Report

## for the year ended 29 February 2004

### OTHER STATUTORY INFORMATION (Cont'd)

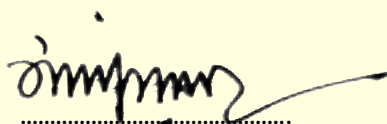
No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the companies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

In the opinion of the directors, except for the effect of adopting MASB 29 on Employee Benefits as show in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 29 February 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

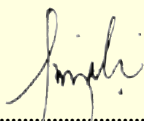
### AUDITORS

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

Signed in accordance with a resolution of the directors:



Director  
LIM BOON YEE



Director  
LIM YEW LIN

Penang,

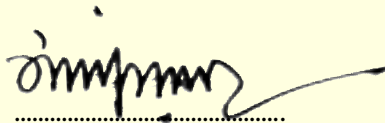
Date : 18 June 2004

## Statement By Directors

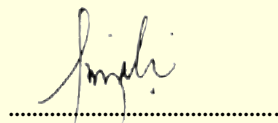
Pursuant to section 169(15) of the Companies Act, 1965

In the opinion of the directors, the financial statements set out on pages 40 to 83 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 29 February 2004 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:



Director  
LIM BOON YEE



Director  
LIM YEW LIN

Penang,

Date :18 June 2004

## Statutory Declaration

Pursuant to section 169(16) of the Companies Act, 1965

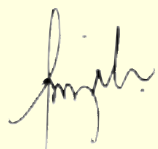
I, LIM YEW LIN, the director primarily responsible for the financial management of DXN HOLDINGS BHD., do solemnly and sincerely declare that the financial statements set out on pages 40 to 83 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )

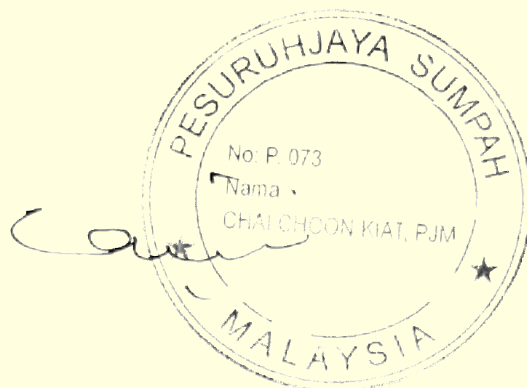
the abovenamed LIM YEW LIN at )

Georgetown in the state of Penang )

on 18 June 2004 )



BEFORE ME :



22, Lebuh King  
10200 Pulau Pinang

## Report of the Auditors to the Members of DXN Holdings Bhd. (Incorporated in Malaysia)

We have audited the financial statements set out on pages 40 to 83. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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 :

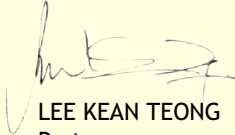
- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
    - i) the state of affairs of the Group and of the Company at 29 February 2004 and of the 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 No : AF : 0758  
Chartered Accountants

  
LEE KEAN TEONG  
Partner  
Approval No : 1857/02/06 (J)

Penang,  
Date : 18 June 2004



# Consolidated Balance Sheet

at 29 February 2004

	NOTE	RM	2003 RM (Restated)
PROPERTY, PLANT, AND EQUIPMENT	2	38,200,874	24,988,026
INVESTMENT IN AN ASSOCIATE	4	168,222	-
GOODWILL ON CONSOLIDATION	5	1,754,659	-
OTHER INVESTMENTS	6	1,288,187	1,268,327
DEFERRED TAX ASSETS	15	591,200	-
CURRENT ASSETS			
Inventories	7	16,457,656	9,870,307
Trade and other receivables	8	31,682,384	32,299,158
Tax refundable		942,183	909,664
Cash and cash equivalents	9	27,145,214	6,721,087
		<u>76,227,437</u>	<u>49,800,216</u>
CURRENT LIABILITIES			
Trade and other payables	10	18,928,422	20,984,068
Borrowings	11	1,865,939	9,028,027
Taxation		160,126	-
		<u>20,954,487</u>	<u>30,012,095</u>
NET CURRENT ASSETS		55,272,950	19,788,121
		<u>97,276,092</u>	<u>46,044,474</u>
Financed by :			
SHARE CAPITAL	12	60,013,000	375,000
SHARE PREMIUM	13	1,206,061	-
RETAINED PROFITS		20,070,012	35,420,767
EXCHANGE FLUCTUATION RESERVE		151,109	-
SHAREHOLDERS' FUNDS		<u>81,440,182</u>	<u>35,795,767</u>
NEGATIVE GOODWILL	14	10,706,270	3,943,101
BORROWINGS	11	4,730,640	5,666,606
DEFERRED TAX LIABILITIES	15	399,000	639,000
		<u>97,276,092</u>	<u>46,044,474</u>

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2004.

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Consolidated Income Statement

for the year ended 29 February 2004

	NOTE	RM	2003 RM (Restated)
Revenue	16	104,274,184	74,936,026
Other operating income	17	6,577,698	9,206,899
Changes in work-in-progress and manufactured inventories		1,314,174	690,376
Raw material and trading inventories used		(20,301,539)	(30,551,725)
Staff costs	18	(12,975,383)	(10,904,548)
Depreciation	2	(3,947,650)	(3,206,693)
Operating expenses	17	(54,702,393)	(21,980,513)
Operating profit		<u>20,239,091</u>	<u>18,189,822</u>
Finance costs	19	(985,498)	(793,365)
Share of profit of an associate		61,272	-
Profit before tax		<u>19,314,865</u>	<u>17,396,457</u>
Tax - Company and subsidiaries		(2,869,620)	(3,388,650)
- associate		-	-
Tax expense	20	(2,869,620)	(3,388,650)
Net profit for the year		<u>16,445,245</u>	<u>14,007,807</u>
Basic earnings per ordinary share (sen)	21	<u>8.87</u>	<u>11.34</u>
Diluted earnings per ordinary share (sen)	21	<u>8.86</u>	<u>-</u>
Dividends per ordinary share - net (sen)	22	<u>5.76</u>	<u>2,400</u>

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Consolidated Statement of Changes in Equity for the year ended 29 February 2004

	Share Capital RM	Non-Distributable Share Premium RM	Exchange Fluctuation Reserve RM	Distributable Retained Profits RM	Total RM
At 1 March 2002					
- As previously reported	300,000	-	-	30,542,028	30,842,028
- Effect of adopting MASB 29	-	-	-	(129,068)	(129,068)
- As restated	300,000	-	-	30,412,960	30,712,960
Issue of shares (Note 12)	75,000	-	-	-	75,000
Net profit for the year					
- As previously stated	-	-	-	14,040,074	14,040,074
- Effect of adopting MASB 29	-	-	-	(32,267)	(32,267)
- As restated	-	-	-	14,007,807	14,007,807
Dividends (Note 22)	-	-	-	(9,000,000)	(9,000,000)
At 28 February 2003 (As restated)	375,000	-	-	35,420,767	35,795,767
Issue of shares (Note 12)					
- Bonus issue	30,500,000	-	-	(30,500,000)	-
- Acquisition of subsidiaries and associate	4,292,250	-	-	-	4,292,250
- Rights issue	22,332,750	-	-	-	22,332,750
- Public issue	2,500,000	3,800,000	-	-	6,300,000
- ESOS	13,000	29,640	-	-	42,640
	59,638,000	3,829,640	-	(30,500,000)	32,967,640
Net profit for the year	-	-	-	16,445,245	16,445,245
Net gain/(loss) not recognised in the consolidated income statement					
- Exchange differences on translation of financial statements of foreign entities	-	-	151,109	-	151,109
- Share issue expenses	-	(2,623,579)	-	-	(2,623,579)
	-	(2,623,579)	151,109	-	(2,472,470)
Dividends (Note 22)	-	-	-	(1,296,000)	(1,296,000)
At 29 February 2004	60,013,000	1,206,061	151,109	20,070,012	81,440,182

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Consolidated Cash Flow Statement

for the year ended 29 February 2004

	RM	2003 RM (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	19,314,865	17,396,457
Adjustments for :		
Amortisation of goodwill	19,833	-
Depreciation	3,947,650	3,206,693
Gain on disposal of plant and equipment	(68,367)	(48,375)
Interest income	(176,765)	(156,406)
Interest expense	985,498	793,365
Plant and equipment written off	20,220	115,875
Other investment written off	1,255	-
(Reversal of)/Allowance for diminution in value of other investments	(21,115)	3,330
Share of result of an associate	(61,272)	-
Operating profit before working capital changes	23,961,802	21,310,939
Decrease/(Increase) in :		
Inventories	180,543	(4,467,931)
Trade and other receivables	28,757,446	(12,207,845)
(Decrease)/Increase in :		
Trade and other payables	(28,948,758)	2,141,525
Cash generated from operations	23,951,033	6,776,688
Tax paid	(3,739,177)	(3,750,799)
Interest paid	(985,498)	(793,365)
Net cash generated from operating activities	19,226,358	2,232,524
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net of cash acquired (Note A)	5,101,996	-
Purchase of property, plant and equipment (Note B)	(5,411,891)	(3,550,187)
Proceeds from disposal of plant and equipment	296,484	64,218
Interest received	176,765	156,406
(Placement)/Withdrawal of fixed deposits	(585,049)	2,143,046
Purchase of other investments	-	(1,195,207)
Net cash used in investing activities	(421,695)	(2,381,724)

## Consolidated Cash Flow Statement for the year ended 29 February 2004

	RM	2003 RM (Restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short term borrowings, net	(256,248)	(44,000)
Drawdown of term loan	-	4,000,000
Repayment of term loans	(7,030,955)	(4,234,127)
Repayment of hire purchase obligations	(1,884,113)	(503,466)
Proceed from issuance of shares	28,675,390	75,000
Dividends paid	(9,296,000)	(4,000,000)
Share issue expenses	(2,623,579)	-
Net cash generated from/(used in) financing activities	7,584,495	(4,706,593)
Net increase/(decrease) in cash and cash equivalents	26,389,158	(4,855,793)
Cash and cash equivalents at beginning of year	(2,360,733)	2,495,060
Effect of exchange differences on cash and cash equivalents	(59,820)	-
Cash and cash equivalents at end of year (Note C)	23,968,605	(2,360,733)



# Consolidated Cash Flow Statement

## for the year ended 29 February 2004

### NOTES

#### A. Analysis of acquisition of subsidiaries

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

	RM	2003 RM
Property, plant and equipment	11,760,165	-
Deferred tax assets	289,962	-
<i>Current assets</i>		
Inventories	6,767,892	-
Trade and other receivables	28,140,672	-
Cash and cash equivalents	6,801,996	-
<i>Current liabilities</i>		
Trade and other payables	(34,913,087)	-
Borrowings	(7,443,522)	-
Taxation	(430,101)	-
Net assets acquired	10,973,977	-
Negative goodwill on consolidation	(4,988,677)	-
Total purchase consideration	5,985,300	-
Purchase consideration satisfied by issue of shares	(4,185,300)	-
Purchase consideration by cash	1,800,000	-
Less : Cash and cash equivalents	(6,801,996)	-
Deferred payment	(100,000)	-
Net cash acquired	(5,101,996)	-

#### B. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM5,531,891 (2003 : RM4,092,187) of which RM120,000 (2003 : RM542,000) was acquired by means of hire purchase. The balance of RM5,411,891 (2003 : RM3,550,187) was made by cash payments.

#### C. Cash and cash equivalents

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

	RM	2003 RM
Fixed deposits with licensed banks (excluding deposit pledged)	801,062	422,298
Cash and bank balances	23,167,543	3,707,229
Bank overdrafts	-	(6,490,260)
	23,968,605	(2,360,733)

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Balance Sheet at 29 February 2004

	NOTE	RM	2003 RM
PROPERTY, PLANT AND EQUIPMENT	2	3,041,409	1,036,439
INVESTMENT IN SUBSIDIARIES	3	11,809,500	9,780,846
OTHER INVESTMENTS	6	1,195,207	1,195,207
<b>CURRENT ASSETS</b>			
Trade and other receivables	8	50,885,843	44,073,751
Tax refundable		381,250	40,783
Cash and cash equivalents	9	2,252,452	1,602,897
		<u>53,519,545</u>	<u>45,717,431</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	7,169,184	24,953,622
Borrowings	11	29,525	1,166,204
		<u>7,198,709</u>	<u>26,119,826</u>
<b>NET CURRENT ASSETS</b>		<u>46,320,836</u>	<u>19,597,605</u>
		<u>62,366,952</u>	<u>31,610,097</u>
Financed by :			
SHARE CAPITAL	12	60,013,000	375,000
SHARE PREMIUM	13	1,206,061	-
RETAINED PROFITS		1,061,891	30,910,520
<b>SHAREHOLDERS' FUNDS</b>		<u>62,280,952</u>	<u>31,285,520</u>
<b>BORROWINGS</b>	11	<u>86,000</u>	<u>324,577</u>
		<u>62,366,952</u>	<u>31,610,097</u>

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Income Statement for the year ended 29 February 2004

	NOTE	RM	2003 RM
Revenue	16	6,297,778	44,064,444
Other operating income	17	127,900	76,462
Staff costs	18	(2,623,705)	(227,057)
Depreciation	2	(61,985)	(4,603)
Operating expenses	17	(952,151)	(503,782)
Operating profit		<u>2,787,837</u>	<u>43,405,464</u>
Finance costs	19	(62,688)	(8,572)
Profit before tax		<u>2,725,149</u>	<u>43,396,892</u>
Tax expense	20	(777,778)	(5,425,314)
Net profit for the year		<u>1,947,371</u>	<u>37,971,578</u>
Dividends per ordinary share - net (sen)	22	<u>5.76</u>	<u>2,400</u>

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Statement of Changes in Equity for the year ended 29 February 2004

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 March 2002	300,000	-	1,938,942	2,238,942
Issue of shares (Note 12)	75,000	-	-	75,000
Net profit for the year	-	-	37,971,578	37,971,578
Dividends (Note 22)	-	-	(9,000,000)	(9,000,000)
At 28 February 2003	375,000	-	30,910,520	31,285,520
Issue of shares (Note 12)				
- Bonus issue	30,500,000	-	(30,500,000)	-
- Acquisition of subsidiaries and associate	4,292,250	-	-	4,292,250
- Rights issue	22,332,750	-	-	22,332,750
- Public issue	2,500,000	3,800,000	-	6,300,000
- ESOS	13,000	29,640	-	42,640
	59,638,000	3,829,640	(30,500,000)	32,967,640
Net loss not recognised in the income statement				
- Share issue expenses	-	(2,623,579)	-	(2,623,579)
Net profit for the year	-	-	1,947,371	1,947,371
Dividends (Note 22)	-	-	(1,296,000)	(1,296,000)
At 29 February 2004	60,013,000	1,206,061	1,061,891	62,280,952

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.

## Cash Flow Statement

for the year ended 29 February 2004

	2002 RM	2003 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,725,149	43,396,892
Adjustments for :		
Depreciation	61,985	46,027
Interest expense	62,688	8,572
Interest income	(103,440)	(52,462)
Dividend income	(2,777,778)	(43,944,444)
Impairment loss on investment in subsidiaries	-	350,000
Operating loss before working capital changes	(31,396)	(195,415)
Increase in :		
Trade and other receivables	(2,519,842)	(4,126,009)
Decrease in :		
Trade and other payables	(9,713,092)	(3,920,450)
Cash used in operations	(12,264,330)	(8,241,874)
Tax paid	(340,467)	(101,653)
Interest paid	(62,688)	(8,572)
Dividends received	2,000,000	12,000,000
Net cash (used in)/generated from operating activities	(10,667,485)	3,647,901
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment (Note A)	(1,946,955)	(27,000)
Purchase of investments in - subsidiaries	(1,800,000)	(230,844)
- others	-	(1,195,207)
Additional investment in a subsidiary	(300,000)	-
Interest received	103,440	52,462
Withdrawal of fixed deposits	981,361	1,143,167
Net cash used in investing activities	(2,962,154)	(257,422)

# Cash Flow Statement

## for the year ended 29 February 2004

### CASH FLOW STATEMENT (Cont'd)

	RM	2003 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue expenses paid	(2,623,579)	-
Dividends paid	(9,296,000)	(4,000,000)
Repayment of term loans	(398,108)	(37,439)
Repayment of hire purchase obligations	(43,344)	(33,344)
Proceed from issuance of shares	28,675,390	75,000
Net cash generated from/(used in) financing activities	16,314,359	(3,995,783)
Net increase/(decrease) in cash and cash equivalents	2,684,720	(605,304)
Cash and cash equivalents at beginning of year	(1,042,538)	(437,234)
Cash and cash equivalents at end of year (Note B)	1,642,182	(1,042,538)

### NOTES

#### A. Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM2,066,955 (2003 : RM27,000) of which RM120,000 (2003 : RM27,000) was acquired by means of hire purchase. The balance of RM1,946,955 (2003 : RM27,000) was made by cash payments.

#### B. Cash and cash equivalents

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

	RM	2003 RM
Fixed deposits with licensed banks (excluding deposit pledged)	359,095	-
Cash and bank balances	1,283,087	11,266
Bank overdraft	-	(1,053,804)
	1,642,182	(1,042,538)

The notes set out on pages 51 to 83 form an integral part of, and should be read in conjunction with, these financial statements.



# Notes to the Financial Statements - 29 February 2004

## 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 except for the adoption of the following :

- i) MASB 25, Income Taxes;
- ii) MASB 27, Borrowing Costs; and
- iii) MASB 29, Employee Benefits.

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the effect of the changes in the above accounting policies are disclosed in Note 29 to these financial statements.

### 1.1 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.

### 1.2 Basis of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

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

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

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

# Notes to the Financial Statements - 29 February 2004

## 1.3 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.

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

## 1.4 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. Leasehold lands are amortised in equal instalments over the period 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
Farms	2 - 20
Plant and machinery	10
Furniture, fittings and office equipment	10 - 20
Motor vehicles	20

## 1.5 Impairment

The carrying amount of assets, other than inventories and financial assets (other than investment in subsidiaries and associates), 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.

# Notes to the Financial Statements - 29 February 2004

## 1.5 Impairment (Cont'd)

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.

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.

## 1.6 Investments

Long term investments other than investment in subsidiaries and associated company 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 associated company are stated at cost in the Company less impairment loss, where applicable.

## 1.7 Goodwill

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

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 10 years, less impairment loss, where applicable.

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 associated company, the carrying amount of goodwill is included in the carrying amount of the investment in the associated company.

# Notes to the Financial Statements - 29 February 2004

## 1.8 Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

## 1.9 Trade and Other Receivables

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

## 1.10 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.

## 1.11 Liabilities

Borrowings and trade and other payables are stated at cost.

## 1.12 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.

## 1.13 Income Tax

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

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill 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.

# Notes to the Financial Statements - 29 February 2004

## 1.14 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 :

	RM	2003 RM
1 USD	3.800	3.800
1 Baht	0.087	0.080
1 SGD	2.160	-
1 HKD	0.483	-
1 Rupee	0.077	-
1 Rupiah	0.00041	-
1 Pesos	0.069	-

## 1.15 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 periods covered by the duration of the borrowing using the "sum-of-digits" method.

# Notes to the Financial Statements - 29 February 2004

## 1.16 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 from services rendered is recognised in the income statement upon services 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.

## 1.17 Finance Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

## 1.18 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 Company. Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leaves are recognised when absences occur.

### ii) Defined contribution plans

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

### iii) Equity and equity-related compensation benefits

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



# Notes to the Financial Statements - 29 February 2004

## 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
<b>Cost</b>										
At 1 March 2003	2,681,447	1,128,204	490,000	7,686,917	5,684,658	9,523,893	6,340,340	2,526,286	90,655	36,152,400
Acquisition of subsidiaries	1,661,098	-	1,885,882	3,756,263	-	2,053,646	1,536,726	866,550	-	11,760,165
Additions	489,162	-	-	149,122	64,818	1,194,740	888,504	249,368	2,496,177	5,531,891
Disposals	-	-	-	-	-	(101,376)	(59,490)	(425,818)	-	(586,684)
Write off	-	-	-	-	(19,100)	-	(210,088)	-	-	(229,188)
Exchange difference	26,225	-	18,339	56,779	-	37,761	(9,473)	(1,717)	-	127,914
Reclassification	-	-	-	-	338,305	-	-	-	(338,305)	-
At 29 February 2004	4,857,932	1,128,204	2,394,221	11,649,081	6,068,681	12,708,664	8,486,519	3,214,669	2,248,527	52,756,498
<b>Accumulated Depreciation</b>										
At 1 March 2003	-	29,372	50,256	379,945	509,603	5,650,660	3,078,074	1,466,464	-	11,164,374
Charge for the year	-	20,733	12,564	361,872	194,876	1,924,097	974,150	459,358	-	3,947,650
Disposals	-	-	-	-	-	(97,816)	(16,260)	(244,491)	-	(358,567)
Write off	-	-	-	-	(764)	-	(208,204)	-	-	(208,968)
Exchange difference	-	-	2,188	8,910	-	9,457	(8,335)	(1,085)	-	11,135
At 29 February 2004	-	50,105	65,008	750,727	703,715	7,486,398	3,819,425	1,680,246	-	14,555,624
<b>Net Book Value</b>										
At 29 February 2004	4,857,932	1,078,099	2,329,213	10,898,354	5,364,966	5,222,266	4,667,094	1,534,423	2,248,527	38,200,874
At 28 February 2003	2,681,447	1,098,832	439,744	7,306,972	5,175,055	3,873,233	3,262,266	1,059,822	90,655	24,988,026
<b>Depreciation Charge For The Year Ended 28 February 2003</b>										
	-	20,733	12,564	141,008	196,200	1,974,144	711,301	150,743	-	3,206,693

## Notes to the Financial Statements - 29 February 2004

### 2. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Building RM	Motor vehicles RM	Office equipment RM	Work-in- progress RM	Total RM
COMPANY						
Cost						
At 1 March 2003	469,169	481,375	182,000	-	-	1,132,544
Additions	-	-	141,719	40,236	1,885,000	2,066,955
At 29 February 2004	469,169	481,375	323,719	40,236	1,885,000	3,199,499
Accumulated Depreciation						
At 1 March 2003	-	31,289	64,816	-	-	96,105
Charge for the year	-	9,627	50,572	1,786	-	61,985
At 29 February 2004	-	40,916	115,388	1,786	-	158,090
Net Book Value						
At 29 February 2004	469,169	440,459	208,331	38,450	1,885,000	3,041,409
At 28 February 2003	469,169	450,086	117,184	-	-	1,036,439
Depreciation Charge For The Year Ended 28 February 2003	-	9,627	36,400	-	-	46,027

Included in the depreciation charge for the year of the Company is an amount of RM Nil (2003 : RM41,424) allocated to the subsidiaries.

#### *Assets under hire purchase*

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

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
At net book value				
Plant and machinery	32,933	323,433	-	-
Motor vehicles	694,904	960,023	192,131	95,583
Office equipment	-	14,850	-	-

#### *Security*

Certain property, plant and equipment of the Group and of the Company with a net book value of RM14,851,351 (2003 : RM15,179,074) and RM115,635 (2003 : RM772,024) respectively are charged to banks as security for facilities granted (see Note 11).

# Notes to the Financial Statements - 29 February 2004

## 3. INVESTMENT IN SUBSIDIARIES - COMPANY

	RM	2003 RM
Unquoted shares, at cost	12,159,500	10,130,846
Less : Impairment loss	(350,000)	(350,000)
	<u>11,809,500</u>	<u>9,780,846</u>

Details of subsidiaries of the company are as follows :

<u>Name of Company</u>	<u>Effective Interest</u> 2003		<u>Place of Incorporation</u>	<u>Principal Activities</u>
	%	%		
<i>Subsidiaries of the Company</i>				
DXN Marketing Sdn. Bhd.	100	100	Malaysia	Sale of health supplements and other products on direct sales basis
DXN Industries 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 the manufacturing of health supplements and other products
DXN Plantation Sdn. Bhd.	100	100	Malaysia	Dormant
DXN (Penang) Sdn. Bhd.	100	100	Malaysia	Dormant
DXN (KL) Sdn. Bhd.	100	100	Malaysia	Dormant
DXN (Cyprus) Limited #	-	100	Cyprus	Dormant
DXN International (UK) Limited	-	100	United Kingdom	Dormant
Daehsan (South Africa) (Proprietary) Limited	-	100	South Africa	Dormant
DXN International Holding Limited	100	100	British Virgin Islands	Investment holding and provision of management services
DXN Comfort Tours Sdn. Bhd.	100	-	Malaysia	Travel agent and tour operator
Reach Star Enterprise Sdn. Bhd.	100	-	Malaysia	wholesalers and retailing of stationery, household items, hardware toiletries, gift and accessories
Reach Star Cash & Carry Sdn. Bhd.	100	-	Malaysia	wholesalers and retailing of stationery, household items, hardware toiletries, gift and accessories

## Notes to the Financial Statements - 29 February 2004

### 3. INVESTMENT IN SUBSIDIARIES - COMPANY (Cont'd)

<u>Name of Company</u>	<u>Effective Interest</u>		<u>Place of Incorporation</u>	<u>Principal Activities</u>
		2003		
	%	%		
<i>Subsidiaries of DXN International Holding Limited</i>				
DXN (Cyprus) Limited #	100	-	Cyprus	Dormant
DXN International (UK) Limited	100	-	United Kingdom	Dormant
Daehsan (South Africa) (Proprietary) Limited	100	-	South Africa	Dormant
DXN International (Hong Kong) Limited #	100	-	Hong Kong	Multi-level marketing of health care products
DXN (Singapore) Pte Ltd #	100	-	Singapore	Trading in health products
PT Daxen Indonesia #	100	-	Indonesia	Sale of traditional medicines, cosmetics, beverage and cleaning materials
DXN International Private Ltd ("DIPL")	100	-	Labuan	Investment holdings
<i>Branch of DIPL</i>				
DIPL Philippines Branch *	100	-	Philippines	Trading of health food, traditional medicine, all kinds of confectioneries and other food products
<i>Subsidiaries of DIPL</i>				
DXN Herbal Manufacturing (India) Private Limited #	100	-	India	Manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products
Daxen, Inc ("Daxen")	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	-	Mexico	Sale, purchase, import, export and distribution of natural food and vitamin supplements

\* Audited by member firm of KPMG International.

# Not audited by KPMG

## Notes to the Financial Statements - 29 February 2004

### 3. INVESTMENT IN SUBSIDIARIES - COMPANY (Cont'd)

The acquisition of subsidiaries as disclosed in Note 28 were accounted for under the acquisition method of accounting. These acquisitions have the effect of increasing the consolidated results for the financial year by RM1,914,000 and the Group's net assets as at 29 February 2004 by RM13,423,000.

### 4. INVESTMENT IN ASSOCIATES - GROUP

	RM	2003 RM
Unquoted shares, at cost	106,950	-
Share of post acquisition reserves	61,272	-
	<hr/> 168,222	<hr/> -
Represented by:		
Group share's of net assets other than goodwill	397,367	-
Negative goodwill	(229,145)	-
	<hr/> 168,222	<hr/> -

Details of the associate are as follows :

<u>Name of Company</u>	<u>Effective Interest</u>		<u>Place of Incorporation</u>	<u>Principal Activity</u>
	2003			
	%	%		
<i>Associate of DXN International Holding Limited</i>				
DXN International (Thailand) Company Ltd	36.75	-	Thailand	Import and distribution of consumable health and nutrition products

# Notes to the Financial Statements - 29 February 2004

## 5. GOODWILL ON CONSOLIDATION - GROUP

	RM	2003 RM
Goodwill on consolidation, at cost		
Acquisition during the year and at 29 February 2004	1,774,492	-
Less : Accumulated amortisation		
Amortisation charge for the year and at 29 February 2004	(19,833)	-
	<u>1,754,659</u>	<u>-</u>

## 6. OTHER INVESTMENTS

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Quoted shares in Malaysia	107,550	107,550	-	-
Unquoted shares	-	1,255	-	-
Unit trusts				
- Quoted in Malaysia	98,000	98,000	-	-
- Quoted outside Malaysia	1,195,207	1,195,207	1,195,207	1,195,207
	<u>1,400,757</u>	<u>1,402,012</u>	<u>1,195,207</u>	<u>1,195,207</u>

Less : Allowance for diminution in value

Quoted shares	(58,730)	(69,800)	-	-
Unquoted shares	-	(1,255)	-	-
Unit trusts				
- Quoted in Malaysia	(53,840)	(62,630)	-	-
	<u>(112,570)</u>	<u>(133,685)</u>	<u>-</u>	<u>-</u>
	<u>1,288,187</u>	<u>1,268,327</u>	<u>1,195,207</u>	<u>1,195,207</u>

Market value

Quoted shares	49,000	36,000	-	-
Unit trusts				
- Quoted in Malaysia	44,000	35,000	-	-
- Quoted outside Malaysia	<u>1,172,000</u>	<u>1,260,000</u>	<u>1,172,000</u>	<u>1,260,000</u>



# Notes to the Financial Statements - 29 February 2004

## 7. INVENTORIES, at cost - GROUP

	RM	2003 RM
Raw materials	5,355,192	5,866,690
Work-in-progress	1,581,154	2,492,535
Manufactured inventories	8,462,170	1,511,082
Trading inventories	1,059,140	-
	<u>16,457,656</u>	<u>9,870,307</u>

## 8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Trade receivables				
Corporations in which certain directors have substantial financial interests	2,495,417	22,357,454	-	-
Associate	111,149	-	-	-
Others	19,270,145	7,445,300	-	-
	<u>21,876,711</u>	<u>29,802,754</u>	<u>-</u>	<u>-</u>
Other receivables, deposits and prepayments				
Amount due from subsidiaries	-	-	50,864,259	42,212,148
Others	9,805,673	2,496,404	21,584	1,861,603
	<u>9,805,673</u>	<u>2,496,404</u>	<u>50,885,843</u>	<u>44,073,751</u>
	<u>31,682,384</u>	<u>32,299,158</u>	<u>50,885,843</u>	<u>44,073,751</u>

### COMPANY

The amount due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## 9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Fixed deposits with licensed banks	3,977,671	3,013,858	969,365	1,591,631
Cash and bank balances	23,167,543	3,707,229	1,283,087	11,266
	<u>27,145,214</u>	<u>6,721,087</u>	<u>2,252,452</u>	<u>1,602,897</u>

Included in fixed deposits of the Group and of the Company is an amount of RM3,176,609 (2003 : RM2,591,560) and RM610,270 (2003 : RM1,591,631) respectively which are pledged to the banks for facilities granted to the Group and the Company.

## Notes to the Financial Statements - 29 February 2004

### 10. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Trade payables	6,140,725	6,103,155	-	-
Other payables and accrued expenses				
Amount due to subsidiaries	-	-	6,584,967	12,789,568
Corporations in which certain directors have substantial financial interests	-	7,550	-	-
Amount due to directors	2,127,220	1,135,444	300,027	1,135,444
Others	10,660,477	5,737,919	284,190	3,028,610
	<u>12,787,697</u>	<u>6,880,913</u>	<u>7,169,184</u>	<u>16,953,622</u>
Dividend payable	-	8,000,000	-	8,000,000
	<u>18,928,422</u>	<u>20,984,068</u>	<u>7,169,184</u>	<u>24,953,622</u>

#### GROUP AND COMPANY

The amounts due to directors and corporations in which certain directors have substantial financial interests are unsecured, interest-free and have no fixed terms of repayment.

#### COMPANY

The amount due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

### 11. BORROWINGS

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Current :				
Term loans - secured	30,762	1,166,940	-	79,056
- unsecured	-	38,642	-	-
Bankers' acceptances				
- secured	1,608,000	933,000	-	-
Overdrafts - secured	-	6,490,260	-	1,053,804
Hire purchase obligations	227,177	399,185	29,525	33,344
	<u>1,865,939</u>	<u>9,028,027</u>	<u>29,525</u>	<u>1,166,204</u>
Non-current :				
Unsecured loan	4,294,136	-	-	-
Term loans - secured	262,185	5,268,899	-	319,052
Hire purchase obligations	174,319	397,707	86,000	5,525
	<u>4,730,640</u>	<u>5,666,606</u>	<u>86,000</u>	<u>324,577</u>

# Notes to the Financial Statements - 29 February 2004

## 11.BORROWINGS (Cont'd)

The bankers' acceptances and overdrafts are subject to interest rates at 1.00% to 1.50% (2003 : 1.00% to 1.50%) per annum above the lenders' base lending rates.

### *Terms and debts repayment schedule*

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>GROUP</b>					
Secured term loans					
Interest at 4.75% to 8.15% per annum	292,947	30,762	34,845	124,950	102,390
Unsecured loan					
Interest at 6.5% per annum	4,294,136	-	-	-	4,294,136
	<u>4,587,083</u>	<u>30,762</u>	<u>34,845</u>	<u>124,950</u>	<u>4,396,526</u>
<b>2003</b>					
Secured term loans					
Interest at 1.25% to 2.00% above BLR per annum	6,037,731	1,087,884	1,112,638	3,052,413	784,796
Interest at 9.00% per annum	398,108	79,056	79,056	237,168	2,828
Unsecured term loan					
Interest at 10.00% per annum	38,642	38,642	-	-	-
	<u>6,474,481</u>	<u>1,205,582</u>	<u>1,191,694</u>	<u>3,289,581</u>	<u>787,624</u>
<b>COMPANY</b>					
Secured term loans					
Interest at 9.00% per annum	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>2003</b>					
Interest at 9.00% per annum	<u>398,108</u>	<u>79,056</u>	<u>79,056</u>	<u>237,168</u>	<u>2,828</u>

The term loans and overdrafts are secured by way of fixed charges over certain properties of the Group and the Company (see Note 2).

## Notes to the Financial Statements - 29 February 2004

### 11. BORROWINGS (Cont'd)

#### *Hire purchase obligations*

Hire purchase obligations are payable as follows:

				← 2003 →		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
GROUP						
Less than 1 year	254,898	27,721	227,177	473,742	74,557	399,185
Between 1 and 5 years	199,832	25,513	174,319	473,297	75,590	397,707
	<u>454,730</u>	<u>53,234</u>	<u>401,496</u>	<u>947,039</u>	<u>150,147</u>	<u>796,892</u>
COMPANY						
Less than 1 year	34,462	4,937	29,525	38,844	5,500	33,344
Between 1 and 5 years	100,405	14,405	86,000	6,442	917	5,525
	<u>134,867</u>	<u>19,342</u>	<u>115,525</u>	<u>45,286</u>	<u>6,417</u>	<u>38,869</u>

The hire purchase obligations are subject to fixed interests ranging from 3.0% to 11.4% (2003 : 3.8% to 8.5%) per annum.

### 12. SHARE CAPITAL

	No. of Shares	Par Value RM	RM
Ordinary shares			
Authorised :			
Balance at 1 March 2002 and 28 February 2003	<u>500,000</u>	1.00	<u>500,000</u>
Balance at 1 March 2003	500,000	1.00	500,000
Share split	1,500,000	-	-
	<u>2,000,000</u>	0.25	<u>500,000</u>
Increase in authorised share capital	398,000,000	0.25	99,500,000
Balance at 29 February 2004	<u>400,000,000</u>	0.25	<u>100,000,000</u>

## Notes to the Financial Statements - 29 February 2004

### 12.SHARE CAPITAL (Cont'd)

	No. of ordinary shares	Par Value RM	RM
Issued and fully Paid :			
Balance at 1 March 2002	300,000	1.00	300,000
Rights issue	75,000	1.00	75,000
Balance at 28 February 2003	<u>375,000</u>	1.00	<u>375,000</u>
Balance at 1 March 2003	375,000	1.00	375,000
Share split	1,125,000	-	-
	<u>1,500,000</u>	0.25	<u>375,000</u>
Issue of shares			
- Bonus issue	122,000,000	0.25	30,500,000
- Acquisition of subsidiaries and associate	17,169,000	0.25	4,292,250
- Rights issue	89,331,000	0.25	22,332,750
- Public issue	10,000,000	0.25	2,500,000
- ESOS	52,000	0.25	13,000
Balance at 29 February 2004	<u>240,052,000</u>	0.25	<u>60,013,000</u>

The movements during the year on the number of options over the shares of the Company are disclosed in Note 18.

### 13.SHARE PREMIUM

The share premium account arose from the public issue and ESOS net of share issue expenses.

### 14.NEGATIVE GOODWILL - GROUP

	RM	2003 RM
Balance as at 1 March	3,943,101	3,943,101
Acquisition of subsidiaries	6,763,169	-
Balance as at 29/28 February	<u>10,706,270</u>	<u>3,943,101</u>

## Notes to the Financial Statements - 29 February 2004

### 15. DEFERRED TAX

	GROUP	
	RM	2003 RM
Deferred tax liabilities	399,000	639,000
Deferred tax assets	(591,200)	-
At 29/28 February	<u>(192,200)</u>	<u>639,000</u>

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

	At 1.3.2003 RM	Income statement RM	Acquisition of subsidiaries RM	Exchange difference RM	At 29.2.2004 RM
Property, plant and equipment	693,000	(297,000)	-	-	396,000
Unutilised tax losses	-	(199,805)	(277,423)	5,207	(472,021)
Provision	(54,000)	(35,885)	(3,069)	424	(92,530)
Unrealised foreign exchange loss	-	(15,416)	(9,470)	1,237	(23,649)
	<u>639,000</u>	<u>(548,106)</u>	<u>(289,962)</u>	<u>6,868</u>	<u>(192,200)</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.

### 16. REVENUE

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Invoiced value of goods sold less discounts and returns	104,154,184	74,816,026	-	-
Gross dividend from subsidiaries	-	-	2,777,778	43,944,444
Management fee	120,000	120,000	3,520,000	120,000
	<u>104,274,184</u>	<u>74,936,026</u>	<u>6,297,778</u>	<u>44,064,444</u>

# Notes to the Financial Statements - 29 February 2004

## 17. OTHER OPERATING INCOME/(OPERATING EXPENSES)

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

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
After charging :				
Auditors' remuneration				
- current year	178,504	57,865	13,000	8,000
- prior year	5,000	-	5,000	-
Directors' emoluments				
- Fees	136,154	1,138,400	136,154	113,840
- Others	1,334,914	1,488,500	1,334,914	148,300
Amortisation of goodwill	19,833	-	-	-
Bad debts written off	97,364	46,589	-	21,018
Plant and equipment written off	20,220	115,875	-	-
Allowance for doubtful debts	-	1,243,990	-	-
Allowance for diminution in value of investments in				
- Subsidiaries	-	-	-	350,000
- Others	-	3,330	-	-
Loss on foreign exchange - realised	-	88,067	-	-
- unrealised	162,024	-	-	-
Rental of premises	1,139,113	431,567	-	-
Other investment written off	1,255	-	-	-
and crediting :				
Rental income on premises	26,200	2,400	24,000	24,000
Gain on foreign exchange-realised	573,501	-	-	-
Dividend income on quoted shares	550	600	-	-
Interest income	176,765	156,406	103,440	52,462
Gain on disposal of plant and equipment	68,367	48,375	-	-
Royalty income	2,773,888	7,051,996	-	-
Reversal of allowance for diminution in value of other investments	21,115	-	-	-
	<u>21,115</u>	<u>-</u>	<u>-</u>	<u>-</u>

The estimated monetary value of benefits receivable by certain directors otherwise than in cash from the Group and the Company amounted to RM35,100 (2003 :RM21,700).



# Notes to the Financial Statements - 29 February 2004

## 18.EMPLOYEE INFORMATION

	GROUP		COMPANY	
	RM	2003 RM (Restated)	RM	2003 RM
Salary and wages	11,707,977	9,893,776	2,304,940	2,071,310
Employee provident fund contribution	1,252,102	978,505	298,385	199,260
Short term accumulating compensated absences	15,304	32,267	20,380	-
Less : Allocation of staff costs to related companies on a reimbursable basis	-	-	-	(2,043,513)
Net staff costs	<u>12,975,383</u>	<u>10,904,548</u>	<u>2,623,705</u>	<u>227,057</u>

The number of employees of the Group and of the Company (including executive directors) at the end of the year was 935 (2003 : 672) and 38 (2003 : 13) 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 employees are as follows:

	GROUP AND COMPANY 2003	
Outstanding at 1 March	-	-
Granted	3,974,000	-
Exercised	(52,000)	-
Outstanding at 29/28 February	<u>3,922,000</u>	<u>-</u>
Details of share options granted during the year :		
Expiry date	29.10.2008	-
Exercise price per ordinary share (RM)	0.82	-
Aggregate proceeds if shares are issued (RM'000)	3,259	-
Details of share options exercised during the year :		
Expiry date	29.10.2008	-
Exercise price per ordinary share (RM)	0.82	-
Aggregate issue proceeds (RM'000)	43	-
Fair value at date of issue (RM'000)	49	-

# Notes to the Financial Statements - 29 February 2004

## 19. FINANCE COSTS

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Bank overdraft	262,192	177,023	29,098	4,232
Hire purchase	93,051	91,280	7,175	550
Term loans	608,425	495,257	26,415	3,790
Others	21,830	29,805	-	-
	<u>985,498</u>	<u>793,365</u>	<u>62,688</u>	<u>8,572</u>

## 20. TAX EXPENSE

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Current tax expense				
Based on results for the year				
- Malaysian	1,177,310	1,373,000	777,778	5,444,444
- Foreign	2,157,380	1,765,476	-	-
	<u>3,334,690</u>	<u>3,138,476</u>	<u>777,778</u>	<u>5,444,444</u>
Prior year	83,036	(253,826)	-	(19,130)
	<u>3,417,726</u>	<u>2,884,650</u>	<u>777,778</u>	<u>5,425,314</u>
Deferred tax expense				
- Current year	(168,106)	504,000	-	-
- Prior year	(380,000)	-	-	-
	<u>(548,106)</u>	<u>504,000</u>	<u>-</u>	<u>-</u>
	<u>2,869,620</u>	<u>3,388,650</u>	<u>777,778</u>	<u>5,425,314</u>

## Notes to the Financial Statements - 29 February 2004

### 20. TAX EXPENSE (Cont'd)

Reconciliation of effective tax expense :

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Profit before tax	19,314,865	17,396,457	2,725,149	43,396,892
Income tax using				
Malaysian tax rate	5,408,163	4,871,008	763,042	12,151,130
Non-deductible expenses	324,332	453,493	14,736	104,869
Tax exempt dividend	-	-	-	(6,860,000)
Tax incentive	(1,606,627)	(1,486,027)	-	-
Income exempted from tax	(11,492)	(21,209)	-	-
Effect of different tax rates in foreign jurisdictions	(947,792)	(211,559)	-	-
Effect of deferred tax assets not recognised	-	-	-	48,445
Others	-	36,770	-	-
	3,166,584	3,642,476	777,778	5,444,444
Over provision in prior years	(296,964)	(253,826)	-	(19,130)
	2,869,620	3,388,650	777,778	5,425,314

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

### 21. EARNINGS PER SHARE - GROUP

#### *Basic earnings per share*

The earnings per share has been calculated based on the net profit attributable to shareholders of RM16,445,245 (2003 : RM14,007,807) and the weighted average number of ordinary shares outstanding during the financial year of 185,415,740 (2003 : 123,472,466).

# Notes to the Financial Statements - 29 February 2004

## 21. EARNINGS PER SHARE - GROUP (Cont'd)

*Weighted average number of ordinary shares*

		2003
Issued ordinary shares at beginning of year	375,000	300,000
Effect of shares issued on July 2003/2002	10,019,170	47,466
Effect of share split	1,125,000	1,125,000
Bonus issue	122,000,000	122,000,000
Rights issue	47,724,781	-
Public issue	4,164,384	-
ESOS - February 2004	7,405	-
Weighted average number of ordinary shares	<u>185,415,740</u>	<u>123,472,466</u>

### *Diluted earnings per share*

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM16,445,245 (2003 : Nil) and the weighted average number of ordinary shares outstanding during the year of 185,512,123 (2003 : Nil) calculated as follows:

		2003
Weighted average number of ordinary shares as above	185,415,740	-
Effect of ESOS	96,383	-
Weighted average number of ordinary shares (diluted)	<u>185,512,123</u>	<u>-</u>

## 22. DIVIDENDS

	RM	2003 RM
Interim dividend of 3% less 28% tax based on 240,000,000 ordinary shares of RM0.25 each (2003 : 266.67% tax exempt based on 375,000 ordinary shares of RM1 each)	1,296,000	1,000,000
2nd interim tax exempt dividend of Nil (2003 : 2,133.33% tax exempt per share based on tax exempt 375,000 ordinary shares of RM1 each)	-	8,000,000
	<u>1,296,000</u>	<u>9,000,000</u>

The proposed final dividend of 5% less 28% tax in respect of the year ended 29 February 2004 has not been accounted for in the financial statements.

The net dividends per ordinary share as disclosed in the Income Statement takes into account the final proposed dividend for the financial year ended 29 February 2004.

# Notes to the Financial Statements - 29 February 2004

## 23.SEGMENTAL INFORMATION - GROUP

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise 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 period to acquire segment assets that are expected to be used for more than one period.

### *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.

### *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
Revenue from external customers by location of customers	32,747,077	15,062,306	58,740,003	26,762,197	(29,037,399)	104,274,184
Segment assets by location of assets	65,948,369	23,096,668	14,909,048	10,988,452	-	114,942,537
Capital expenditure by location of assets	5,162,600	106,288	58,182	204,821	-	5,531,891
2003						
Revenue from external customers by location of customers	23,730,160	15,163,970	19,133,193	16,908,703	-	74,936,026
Segment assets by location of assets	75,094,865	-	-	52,040	-	75,146,905
Capital expenditure by location of assets	4,048,510	-	-	43,677	-	4,092,187

# Notes to the Financial Statements - 29 February 2004

## 24. SIGNIFICANT RELATED COMPANIES TRANSACTIONS - GROUP/COMPANY

### 24.1 Related party relationships

- i) Companies controlled by the Company as disclosed in Note 3.
- ii) Key management personnel of the Group
  - Dr. Lim Siow Jin
  - Lim Boon Yee
  - Lim Yew Lin
- iii) Related party
  - a) Tastiway Sdn. Bhd. - one of the directors and substantial shareholders is Mr. Lim Beng Lee, the brother of Dr. Lim Siow Jin, Mr. Lim Boon Yee and Ms. Lim Yew Lin.
  - b) Skylor Enterprise - Ms. Lim Chea Lin and Mr. Lee Chiew Khim, the sister and brother-in-law of Dr. Lim Siow Jin, Mr. Lim Boon Yee and Ms. Lim Yew Lin are the shareholders.
  - c) Daxin Gano (Thailand) Co. Ltd. - Dr. Lim Siow Jin is the substantial shareholder.
  - d) Jumping Horse Trading Co. Ltd. and DXN International (Australia) Proprietary Ltd. - Mr. Lim Boon Yee is a director and substantial shareholder.
  - e) Panaroma Network Sdn. Bhd. - Mr. Lim Boon Yee and Ms. Lim Yew Lin are also directors and substantial shareholders.

### 24.2 Related party transactions

- 24.2.1 There were no transactions with the directors and key management personnel other than the following :
  - i) Remuneration package paid to them in accordance with the terms and conditions of their appointment.
  - ii) Share options granted to key management personnel

The option over ordinary share of the Company granted to key management personnel of the Group during the year as follows:

<u>The Company</u>	<u>Number of Options over ordinary shares of RM0.25 each unexercised as at 29.2.2004</u>
Dr. Lim Siow Jin	360,000
Lim Boon Yee	800,000
Lim Yew Lin	500,000

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

- iii) Acquisition of property, plant and equipment by the Company amounting to RM2,220,000 from Dr. Lim Siow Jin and Madam Leong Bee Ling.

# Notes to the Financial Statements - 29 February 2004

## 24.SIGNIFICANT RELATED COMPANIES TRANSACTIONS - GROUP/COMPANY (Cont'd)

### 24.2.2 Transactions with subsidiaries:

	RM	2003 RM
Dividend income from subsidiaries	2,777,778	43,944,444
Rental of premises receivable from a subsidiary	24,000	24,000

### 24.2.3 Transaction with related parties

	RM	2003 RM
<i>From 1 March 2003 to 29 February 2004</i>		

#### Sales of manufacturing goods

-DXN International (Thailand) Co. Ltd.	932,104	*
-DXN International (Australia) Proprietary Ltd.	430,891	*
-Daxin Gano (Thailand) Co. Ltd.	7,979,484	*
-Jumping Horse Trading Co. Ltd.	50,641	*

#### Purchase of raw materials/Assets

-Tastiway Sdn. Bhd.	1,055,682	*
-Panaroma Network Sdn. Bhd.	118,977	*
-Skylor Enterprise	407,479	*

#### *From 1 March 2003 to 31 July 2003*

#### Sales of manufacturing goods

-DXN International (Hong Kong) Limited	260,910	*
-DXN International Private Ltd.	4,501,694	*
-DXN (Singapore) Pte. Ltd.	702,923	*
-Daxen, Inc.	436,794	*
-DXN Herbal Manufacturing (India) Private Limited	398,240	*

#### Royalty income received

-DXN International Private Ltd.	2,773,888	*
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#### Sales commission paid

-DXN (Singapore) Pte. Ltd.	90,095	*
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#### Management fee received

-Daxen, Inc.	643,432	*
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\* There are no comparative figures as this is the first year of adoption MASB 8, Related Party Disclosures.

# Notes to the Financial Statements - 29 February 2004

## 24.SIGNIFICANT RELATED COMPANIES TRANSACTIONS - GROUP/COMPANY (Cont'd)

- 24.2.4 The Group's transactions with companies in which certain directors have substantial financial interests:

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

- 24.2.5 There are no individually significant outstanding balances arising from transactions other than normal transactions. The non-trade balances with subsidiaries are disclosed in Notes 8 and 10 respectively.

## 25.CAPITAL COMMITMENT - GROUP

	RM	2003 RM
Property, plant and equipment		
Approved but not contracted for	2,815,000	-
Contracted but not provided for	3,535,000	230,000

## 26.CONTINGENT LIABILITIES

- a) Corporate guarantees

	GROUP		COMPANY	
	RM	2003 RM	RM	2003 RM
Guarantees given to financial institutions for facilities granted to :				
- Subsidiaries	-	-	5,750,000	9,160,000
- Company in which certain directors have substantial financial interests	-	1,000,000	-	1,000,000
	-	1,000,000	5,750,000	10,160,000

- b) Continuing financial support - COMPANY

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



# Notes to the Financial Statements - 29 February 2004

## 27.FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

Exposure to credit, currency risk and interest rate 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

The Group has a credit policy to mitigate its exposure to credit risk. The exposure to credit risk is monitored on a continuing basis. Credit evaluations are performed on all potential debtors prior to extending a credit term. Potential debtors are assessed based on their trustworthiness. As such, the Group does not expect any material counter-party risk.

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.

### Currency risk

The Group and the Company incur 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 US dollars and Thai Baht.

The Group uses forward exchange contracts to hedge its foreign currency risk. The Group only enters into forward exchange contracts with maturities of less than one year. Where necessary, the forward exchange contracts are rolled over at maturity at market rates. There was no forward exchange contract outstanding as at balance sheet date.

### Interest rate risk

The Group and the Company place funds with reputable licensed banks to generate interest income for the Group and the Company. The Group and the Company manage their interest rate risk by placing such balances on varying maturities ranging from 1 week to 12 months and on interest rate terms with interest rates ranging from 3.2% to 4.0% per annum. On the other hand, the Group and the Company borrow for operations at variable rates using overdrafts facilities and use term loans to finance capital expenditure.

### 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 periods in which they reprice or mature, whichever is earlier.

# Notes to the Financial Statements - 29 February 2004

## 27. FINANCIAL INSTRUMENTS (Cont'd)

GROUP	Effective interest rate %	Total RM	Within 1 year RM	1 -5 years RM	Over 5 years RM
<b>Financial asset</b>					
Fixed deposits with licensed banks	3.00 - 6.00	3,977,671	3,977,671	-	-
<b>Financial liabilities</b>					
Secured term loans					
- fixed rate	4.75 - 8.15	292,947	30,762	159,795	102,390
Unsecured loan					
- fixed rate	6.5	4,294,136	-	-	4,294,136
Secured bankers' acceptances	3.05 - 4.25	1,608,000	1,608,000	-	-
2003					
<b>Financial asset</b>					
Fixed deposits with licensed banks	3.20 - 4.00	3,013,858	3,013,858	-	-
<b>Financial liabilities</b>					
Secured term loans					
- fixed rate	9.00	398,108	79,056	316,224	2,828
- floating rate	7.65 - 8.40	6,037,731	6,037,731	-	-
Unsecured term loan					
- fixed rate	10.00	38,642	38,642	-	-
Secured bankers' acceptances	7.40	933,000	933,000	-	-
Secured overdrafts	7.90	6,490,260	6,490,260	-	-
COMPANY					
<b>Financial asset</b>					
Fixed deposits with licensed banks	3.00	969,365	969,365	-	-
2003					
<b>Financial asset</b>					
Fixed deposits with licensed banks	3.20 - 3.45	1,591,631	1,591,631	-	-
<b>Financial liabilities</b>					
Secured term loans					
- fixed rate	9.00	398,108	79,056	316,224	2,828
Secured overdrafts	7.65	1,053,804	1,053,804	-	-

# Notes to the Financial Statements - 29 February 2004

## 27. FINANCIAL INSTRUMENTS (Cont'd)

### Fair values

#### *Recognised financial instruments*

The carrying amounts approximately fair value due to 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.

	Carrying amount		Fair value	
	RM	2003 RM	RM	2003 RM
GROUP				
Secured term loans	292,947	398,108	292,947	398,108
Unsecured loan	4,294,136	38,642	4,294,136	38,642
COMPANY				
Secured term loans	-	398,108	-	398,108

The fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The fair value of the Group's and of the Company's other investments are their market prices at balance sheet date. The carrying amount and the estimated fair value of the other investments for the Group and for the Company are disclosed in Note 6.

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

- a) Sub-division of the par value for every existing ordinary shares in DXN from RM1.00 to RM0.25 ("DXN Shares"). The share split was completed on 27 June 2003.
- b) Bonus issue of 122,000,000 new DXN Shares credited as fully paid-up on the basis of 81.33 new DXN Shares for every 1 existing DXN Share held. The bonus issue was completed on 18 July 2003.
- c) On 31 July 2003, the Company completed the following acquisitions :
  - i) Acquisition of DXN International Private Ltd ("DIPL")

Acquisition of the entire issued and fully paid-up share capital of DIPL comprising 15,010 ordinary shares of USD1.00 each ("DIPL Shares") for a total purchase consideration of approximately RM1,726,023 satisfied by the issuance of 6,904,050 new ordinary shares of RM0.25 each. As part of the acquisition of DIPL, the DIPL Shares were transferred to DXN International Holding Limited ("DIH"), DXN's wholly-owned subsidiary, resulting in DIH holding the entire equity interest in DIPL upon completion of the acquisition of DIPL;

# Notes to the Financial Statements - 29 February 2004

## 28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)

### ii) Acquisition of PT Daxen Indonesia ("PT Daxen")

Acquisition of the entire issued and fully paid-up share capital of PT Daxen comprising 700 ordinary shares of Rupiah14,500,000 each ("PT Daxen Shares") for a total purchase consideration of approximately RM2,021,546 satisfied by the issuance of 8,086,100 new ordinary shares of RM0.25 each. As part of the acquisition of PT Daxen, 99% of the PT Daxen Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding 99% of the equity interest in PT Daxen upon completion of the acquisition of PT Daxen;

### iii) Acquisition of DXN International (Hong Kong) Limited ("DXN HK")

Acquisition of the entire issued and fully paid-up share capital of DXN HK comprising 2,500,000 ordinary shares of HKD1.00 each ("DXN HK Shares") for a total purchase consideration of approximately RM145,896 satisfied by the issuance of 583,580 new ordinary shares of RM0.25 each. As part of the acquisition of DXN HK, 2,499,999 DXN HK Shares were transferred to DIH, DXN's wholly-owned subsidiary while 1 DXN HK Share is held by DXN in trust for DIH. DIH still effectively holds the entire equity interest in DXN HK upon completion of the acquisition of DXN HK;

### iv) Acquisition of DXN (Singapore) Pte Ltd ("DXN Singapore")

Acquisition of the entire issued and fully paid-up share capital of DXN Singapore comprising 2 ordinary shares of SGD1.00 each ("DXN Singapore Shares") for a total purchase consideration of approximately RM291,870 satisfied by issuance of 1,167,470 new ordinary shares of RM0.25 each. As part of the acquisition of DXN Singapore, the DXN Singapore Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding the entire equity interest in DXN Singapore upon completion of the acquisition of DXN Singapore; and

### v) Acquisition of DXN International (Thailand) Company Ltd ("DXN Thailand")

Acquisition of 36.75% of the issued and fully paid-up share capital of DXN Thailand comprising 73,500 ordinary shares of Baht100 each ("DXN Thailand Shares") for a total purchase consideration of approximately RM106,950 satisfied by the issuance of 427,800 new ordinary shares of RM0.25 each. As part of the acquisition of DXN Thailand, the DXN Thailand Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding 36.75% of the equity interest in DXN Thailand upon completion of the acquisition of DXN Thailand.

### d) On 31 July 2003, the Company transferred the following subsidiaries to DIH, one of its wholly-owned subsidiaries)

#### i) Transfer of DXN (Cyprus) Limited ("DXN Cyprus")

Transfer of the entire issued and fully paid-up share capital of DXN Cyprus comprising 10,000 ordinary shares of CYP1.00 each held by DXN to DIH, its wholly-owned subsidiary, satisfied via inter company advances;

# Notes to the Financial Statements - 29 February 2004

## 28.SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)

### ii) Transfer of DXN International (UK) Limited ("DXN UK")

Transfer of the entire issued and fully paid-up share capital of DXN UK comprising 1,000 ordinary shares of £1.00 each held by DXN to DIH, its wholly-owned subsidiary, satisfied via intercompany advances; and

### iii) Transfer of Daehsan (South Africa) (Proprietary) Limited ("DXN SA")

Transfer of the entire issued and fully paid-up share capital of DXN SA comprising 100 ordinary shares of Rand1.00 each held by DXN to DIH, its wholly-owned subsidiary, satisfied via intercompany advances.

The above transfers were completed on 31 July 2003.

- e) Rights issue of 89,331,000 new ordinary shares of RM0.25 each on the basis of approximately 6.35 new DXN Shares for every 10 existing ordinary shares of RM0.25 each held after the Acquisitions. The right issue was completed on 18 August 2003.
- f) Offer for sale of 47,600,000 new ordinary shares of RM0.25 each at a retail price of RM0.63 per ordinary share.
- g) Public issue of 10,000,000 new ordinary shares of RM0.25 each at an issue price of RM0.63 per ordinary share.
- h) On 30 September 2003, the entire issued and paid-up share capital of the Company was quoted on the Main Board of Bursa Malaysia Securities Berhad.
- i) On 11 August 2003, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company to eligible directors and employees of the Group.  
  
On 8 December 2003, a first offer of the ESOS amounting to 3,974,000 shares at RM0.82 per ordinary share was made to the eligible executives of the Group.
- j) On 22 December 2003, the Company acquired 200,000 ordinary shares of RM1 each representing 100% equity interest in Comfort Tours Sdn Bhd for a total cash consideration of RM600,000.
- k) On 6 February 2004, the Company acquired 200,000 ordinary shares of RM1 each representing 100% equity interest in Reach Star Enterprise Sdn Bhd for a total cash consideration RM900,000 and 100,000 ordinary shares of RM1 each representing 100% equity interest in Reach Star Cash & Carry Sdn Bhd for a total cash consideration of RM300,000.

## 29.CHANGES IN ACCOUNTING POLICIES

In the current financial year, the Group and the Company adopted three new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:

- i) MASB 25, Income Taxes which has been adopted retrospectively. The adoption of this standard has no material impact on the financial statements; and
- ii) MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard.

# Notes to the Financial Statements - 29 February 2004

## 29.CHANGES IN ACCOUNTING POLICIES (Cont'd)

- iii) MASB 29, Employee Benefits has resulted in the Group and the Company making provisions for the obligations in respect of short term employee benefits in the form of accumulating compensated balances. These obligations are provided when the employees render services that increase their entitlement to future compensated absences.

This change in accounting policies, applied retrospectively, had the following impact on results:

	<b>GROUP</b>	
	<b>RM</b>	<b>2003 RM</b>
Net profit before changes in accounting policy	16,460,549	14,040,074
Effect of adopting MASB 29	(15,304)	(32,267)
Net profit for the year	<u>16,445,245</u>	<u>14,007,807</u>

### Prior year adjustment

The change in accounting policy due to the adoption of MASB 29 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 March 2002 as disclosed in Note 30 and statement of changes in equity respectively.

## 30.COMPARATIVE FIGURES

The following comparatives have been restated to reflect the adoption of MASB 29 as explained in Note 29 :

	<b>GROUP</b>	
	<b>As restated RM</b>	<b>As previously reported RM</b>
<b>Balance Sheet</b>		
Retained profits	35,420,767	35,582,102
Trade and other payables	20,984,068	20,822,733
<b>Income Statement</b>		
Staff costs	10,904,548	10,872,281
Operating profit	18,189,822	18,222,089
Profit before tax	17,396,457	17,428,724
Net profit for the year	14,007,807	14,040,074
Basic earning per ordinary share (sen)	11.34	40.41
<b>Statement of Changes in Equity</b>		
Retained profits		
- 1 March 2002	30,412,960	30,542,028
- 28 February 2003	35,420,767	35,582,102
Net profit for the year		
- 28 February 2003	14,007,807	14,040,074

## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
DXN Pharma H.S. (M) 375 P.T. 1306 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Industrial land with single storey detached factory	4/ Freehold	280,658/ 33,971	4,716,022
DXN Pharma H.S. (M) 376 P.T. 1307 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Industrial land with a single storey detached factory, 2 units of single storey detached factories and ancillary buildings	6/ Freehold	172,653/ 75,787	1,905,632
DXN Pharma H.S. (M) 377 P.T. 1308 Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	70,193/ Nil	59,640
DXN Pharma H.S. (M) 295 P.T. 1304, Salit Mukim of Malau District of Kubang Pasu Kedah	Industrial land with 2 single storey detached Mycelium farms and 20 Ganoderma sheds	4/ Freehold	256,290/ 111,559	3,603,232
DXN Pharma Geran Mukim 48 Lot 946, Salit Mukim of Malau District of Kubang Pasu Kedah	Uncultivated agricultural land	Nil/ Freehold	67,871/ Nil	35,000

## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
DXN Pharma Geran Mukim 72 Lot 947, Salit Mukim of Malau District of Kubang Pasu Kedah	Uncultivated agricultural land	Nil/ Freehold	231,521/ Nil	692,294
DXN Pharma Geran Mukim 639 Lot 761, Salit Mukim of Malau District of Kubang Pasu Kedah	Uncultivated agricultural land	Nil/ Freehold	141,056/ Nil	75,000
DXN Pharma Geran Mukim 418 P.T.1317, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	206,474/ Nil	110,000
DXN Pharma Geran Mukim 326 Lot 1108 Locality of Alor Nipan Mukim of Malau District of Kubang Pasu Kedah	Uncultivated agricultural land with the middle portion acquired for gas pipe line reserve	Nil/ Freehold	41,208/ Nil	198,134
DXN Pharma Geran Mukim 332 Lot 1092 Padang Panjang Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	330,664/ Nil	500,000



## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
DXN Pharma Geran Mukim 298 Lot 1088 Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	309,463/ Nil	429,589
DISB Pajakan Mukim 47 Lot 1546 Perusahaan Mergong 1 Mukim of Mergung District of Kota Setar Kedah	Single storey detached factory with double storey office annexe	22/ Leasehold expiring on 27.10.2039	10,895/ 10,253	427,180
DISB Lots 1, 2 and 3 Bukit Kayu Hitam Industrial Estate Mukim of Sungai Laka District of Kubang Pasu Kedah	3 parcels of undeveloped industrial lands	Nil/ Leasehold expiring on 19.01.2056	322,344/ Nil	1,078,100
DMSB H.S.(D) 309/95 P.T.No. 3328 Mukim of Naga District of Kubang Pasu Kedah	Single storey detached house	7/ Freehold	6,454/ 3,190	310,901
DMSB GM1221 Lot 5893 Akar Peluru Mukim and District of Kota Setar Kedah	Commercial land with a 3 storey detached office building	9/ Freehold	2,077/ 5,672	478,797

## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
DMSB H.S.(D) 1079 Lot P.T. 9132 Mukim of Sungai Buloh District of Petaling Selangor	4 storey terrace shopoffice	27/ Freehold	1,650/ 5,742	1,286,834
DXN H.S.(D) 169324 Lot No.PTD 85210 Mukim of Plentong District of Johor Bahru Johor	3 storey terraced shophouse	11/ Freehold	2,544/ 5,644	645,358
DXN H.S.(D) 92/95 P.T. No 3111 Mukim of Naga District of Kubang Pasu Kedah	Undeveloped residential land	Nil/ Freehold	7,867/ Nil	115,635
DXN Geran Mukim 16 Lot 832, Salit Mukim of Malau District of Kubang Pasu Kedah	Agricultural land	Nil/ Freehold	245,842/ Nil	148,635
DCTSB Grant (1st Grade) No 36736, Lot827, Section 16, Georgetown, Nort East District, Penang	Commercial land with a 2 storey detached office building	13/ Freehold	973/1916	239,420
RSESB G41 & G42, Ground Floor, Kompleks Star Parade, Jalan Teluk Wanjah, 05200 Alor Star, Kedah	2 Shoplots	9/ Leasehold expiring on 16.08.2094	915/915	382,729

## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
PT Daxen HGB No. 46 Jalan Pancasila IV No.1 Desa Cicadas Kecamatan Gunung Putri Kabupaten Bogor	Single storey detached factory, a single storey detached house, two stores and a guard house	5/ Leasehold expiring on 29.11.2024	44,347/ 15,263	799,980
PT Daxen DS No. 01 Jalan Palem 1A Lippo Cikarang Cikarang, Bekasi West Java 17530	Undeveloped service industrial land	Nil/ Leasehold expiring in year 2023	37,588/ Nil	532,035
PT Daxen HGB No. 279 Lot No. B11B Desa Wangunharja Jalan Jababeka VII B Jababeka Industrial Estate 1 Kecamatan Cibitung Kabupaten Bekasi Propinsi Jawa Barat	Single storey factory building	5/ Leasehold expiring on 29.06.2022	14,305/ 10,769	110,648
PT Daxen HGB No. 1772, 1773 1774, 1775, 1776, 1777 and 1778 Gedung Indra Sentral No. 60 A-B, C-D, M, N, O, P, Q, Jalan Letjen Suprpto Cempaka Putih Central Jakarta 10520	Shop offices	6 to 8/ Leasehold expiring on 3.11.2013	6,975/ 34,940	1,318,199

## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
PT Daxen Tower C Unit 14-01 Wisma Gading Permai Apartment Kelapa Gading Kotamadya Jakarta Utara Jakarta 14240	3 bedroom apartment	6/ Leasehold expiring on 30.07.2021	Nil/ 846	110,245
PT Daxen Tower A Unit 12-05 Wisma Gading Permai Apartment Kelapa Gading Kotamadya Jakarta Utara Jakarta 14240	2 bedroom apartment	6/ Leasehold expiring on 30.07.2021	Nil/ 347	27,422
PT Daxen HGB No. 4 Desa Kanoman Kecamatan Cibeber Kabupaten Cianjur West Java	Uncultivated agricultural land	Nil/ Leasehold expiring on 24.9.2031	317,858/ Nil	80,830
PT Daxen HGB No. 1672 Jalan Ahmad Yani No.21-N Kelurahan Pattunuang Kecamatan Wajo Kota Makassar Sulawesi Selatan 90174	Shop office	10/ Leasehold expiring on 23.06.2014	958/ 2,583	132,203

## List of Properties

Registered Owner/ Location	Description/ Existing use	Approximate Age of Building Years/Tenure	Land area/ built-up area sq. ft.	Net book value as at 29.02.2004 RM
DXN Herbal R.S. No. 141/4 & 142/5 Thiruvandar Koil Village Mannadipet Commune Pondicherry Union Territory	Industrial land with single storey detached factory	2/ Freehold	330,444/ 15,577	2,893,292
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	451,277/ Nil	909,464

## Statistics On Shareholdings

### SHAREHOLDINGS STATISTICS - As at 30 June 2004

AUTHORISED SHARE CAPITAL	: RM100,000,000
ISSUED AND FULLY PAID UP CAPITAL	: RM 60,086,750
CLASS OF SHARE	: Ordinary shares of RM0.25 each fully paid
VOTING RIGHT	: On a show of hands - one vote for every shareholder On a poll - one vote for every ordinary share held

### Breakdown of shareholdings

Shareholdings	No. of shareholders	% of shareholders	No. of Shares	% of Issued Share Capital
1 - 99	2	0.04	100	0.00
100 - 1,000	1,066	23.65	899,300	0.37
1,001 - 10,000	2,673	59.29	12,570,300	5.23
10,001 - 100,000	668	14.82	20,993,200	8.73
100,001 to less than 5% of issued shares	96	2.13	55,893,700	23.26
5% and above of issued shares	3	0.07	149,990,400	62.41
	<u>4,508</u>	<u>100.00</u>	<u>240,347,000</u>	<u>100.00</u>

### Thirty Largest Shareholders

Name	No. of Shares	% of Issued Share Capital
1 DXN GROUP SDN BHD	102,400,000	42.6051
2 GELOMBANG JASA SDN.BHD.	34,929,300	14.5329
3 LIM BOON YEE	12,661,100	5.2678
4 LEMBAGA TABUNG ANGKATAN TENTERA	10,500,000	4.3687
5 FUSION EXTRAS SDN BHD	4,805,500	1.9994
6 A.A. ASSETS NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR CHONG YIE FIAU @ CHONG YEW PEOW	3,314,700	1.3791
7 KHOR LIANG MENG	3,032,800	1.2618
8 JERNEH INSURANCE BHD	3,000,000	1.2482
9 MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR HIDDEN TREASURES FUND	2,000,000	0.8321
10 AMMB NOMINEES (TEMPATAN) SDN BHD MERIDIAN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN ASSURANCE ALLIANCE BHD	1,704,900	0.7093
11 AMMB NOMINEES (TEMPATAN) SDN BHD MALAYSIAN ASSURANCE ALLIANCE BHD FOR ANNUITY PAR	1,253,200	0.5214
12 YEO KHEE NAM	1,230,000	0.5118
13 EMPLOYEES PROVIDENT FUND BOARD	1,000,000	0.4161
14 MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN TRUSTEES BERHAD FOR AMANAH SAHAM BANK ISLAM TABUNG PERTAMA	1,000,000	0.4161
15 SALINA BINTI UMAR	1,000,000	0.4161
16 YEE SENG YEW @ OH SENG YEW	918,300	0.3821
17 OSK NOMINEES (TEMPATAN) SDN BERHAD EON FINANCE BERHAD FOR TENGKU FARITH RITHAUDDEEN	884,000	0.3678
18 OSK NOMINEES (TEMPATAN) SDN BERHAD EON FINANCE BERHAD FOR AIMI AIZAL BIN NASHARUDDIN	875,000	0.3641

## Statistics On Shareholdings

Name	No. of Shares	% of Issued Share Capital
19 LIM YEW LIN	862,000	0.3586
20 JERNEH ASIA CAPITAL SDN BHD	820,000	0.3412
21 LIM SHIU HO	801,900	0.3336
22 KDYMM TUANKU SULTAN HAJI ABDUL HALIM MU'ADZAM SHAH	683,500	0.2844
23 CHONG AH HIM @ CHONG KUM KWAN	620,000	0.2580
24 YEO KHEE AIK	520,000	0.2164
25 LIM BENG LEE	518,400	0.2157
26 KHOR YUAN NING	504,400	0.2099
27 OSK NOMINEES (TEMPATAN) SDN BERHAD EON FINANCE BERHAD FOR AZMI BIN AHMAD	500,000	0.2080
28 JOHN HANCOCK LIFE INSURANCE (MALAYSIA) BERHAD	482,900	0.2009
29 RUSNIZA BINTI RUSLI	428,000	0.1781
30 CHEAH SEE HAN	410,000	0.1706
	<b>193,659,900</b>	<b>80.5751</b>

### SUBSTANTIAL SHAREHOLDERS - As per Register of Substantial Shareholders as at 30 June 2004

Substantial Shareholder	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Dr. Lim Siow Jin	-	-	102,400,000#	42.6051
2. Leong Bee Ling	-	-	102,400,000#	42.6051
3. DXN Group Sdn Bhd	102,400,000	42.6051	-	-
4. Gelombang Jasa Sdn Bhd	34,929,300	14.5329	-	-
5. Tengku Farith Rithauddeen	917,500	0.3817	34,929,300^	14.5329
6. Azmi Bin Ahmad	545,000	0.2268	34,929,300^	14.5329
7. Aimi Aizal Nasharuddin	945,000	0.3932	34,929,300^	14.5329
5. Lim Boon Yee	12,661,100	5.2678	-	-

# 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

### STATEMENT OF DIRECTORS' SHAREHOLDINGS - As per Register of Directors' Shareholdings as at 30 June 2004

Name of Director	Ordinary shares of RM0.25 each				No. of unexercised ESOS options
	Direct	%	Indirect	%	
Dr. Lim Siow Jin	-	-	102,400,000#	42.6051	360,000
Leong Bee Ling	-	-	102,400,000#	42.6051	-
Lim Boon Yee	12,661,100	5.2678	-	-	800,000
Lim Yew Lin	862,000	0.3586	-	-	500,000
Tengku Farith Rithauddeen	917,500	0.3817	34,929,300^	14.5329	-
Dato Seri Tunku Abdul Hamid Thani	-	-	-	-	-
Ibni Almarhum Sultan Badlishah	-	-	-	-	-
Poo Ah An	100,000	0.0416	-	-	-
Ooi Soo Kok	-	-	-	-	-

# 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

# Notice of Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of DXN HOLDINGS BHD ("the Company") will be held at Evergreen Laurel Hotel, Laurel 1 (Level 1), No. 53, Persiaran Gurney, 10250 Penang on Wednesday, 18 August 2004 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 29 February 2004 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) Dr. Lim Siow Jin	2
ii) Leong Bee Ling	3
iii) Lim Boon Yee	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 29 February 2004.	5
4. To approve Directors' Fees of RM136,154 for the year ended 29 February 2004	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):-	
i) Power to issue shares pursuant to Section 132D, Companies Act, 1965 "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."	8



# Notice of Eighth Annual General Meeting

## Ordinary Resolution

- ii) Proposed Shareholders' Ratification and Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

"That pursuant to Chapter 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, a general mandate of the Shareholders be and is hereby granted for the Company and/or its subsidiaries to enter into the recurrent arrangements or transactions of a revenue or trading nature, as set out in the Company's Circular to Shareholders dated 27 July 2004 ("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.	9
ii) Daxin Gano (Thailand) Co., Ltd.	10
iii) Skylor Enterprise	11
iv) DXN International (Australia) Proprietary Ltd.	12
v) Jumping Horse Trading Co. Ltd.	13
vi) Panaroma Network Sdn. Bhd.	14

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

## NOTICE OF DIVIDEND PAYMENT AND BOOK CLOSURE

NOTICE IS ALSO HEREBY GIVEN that a final dividend of 5% less 28% tax per ordinary share of RM0.25 each in respect of the financial year ended 29 February 2004, if approved by the shareholders at the Annual General Meeting, will be paid on 28 September 2004 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 8 September 2004.

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

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 8 September 2004 in respect of ordinary transfers/conversions; 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.

# Notice of Eighth Annual General Meeting

BY ORDER OF THE BOARD

LAM VOON KEAN (MIA 4793)  
Company Secretary  
Penang

Dated: 27 July 2004

## 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 resolutions 9 to 14, if passed will approve the Proposed Shareholders' Mandate on Recurrent Related Party Transactions and allow the Company and its subsidiaries to enter into Recurrent related Party Transactions in accordance with Chapter 10 of the Listing Requirements of the Bursa Malaysia Securities Berhad. This approval shall continue to be in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

## Statement Accompanying Notice of Annual General Meeting

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

Two Board Meetings were held during the financial year.

Date of Meeting	Hour	Place
11 August 2003	10.00 a.m.	Meeting Room, Holiday Villa Alor Setar, Lot 162 & 163, Jalan Tunku Ibrahim, Alor Setar, Kedah
12 January 2004	11.40 a.m.	Meeting Room, Holiday Villa Alor Setar, Lot 162 & 163, Jalan Tunku Ibrahim, Alor Setar, Kedah

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

Name of Director	Attendance
a) Dr. Lim Siow Jin	2/2
b) Lim Boon Yee	2/2
c) Lim Yew Lin	2/2
d) Leong Bee Ling	2/2
e) Tengku Farith Bin Rithauddeen	2/2
f) Dato' Seri Tunku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	2/2
g) Ooi Soo Kok	2/2
h) Poo Ah An	2/2

### Directors standing for re-election

The directors standing for re-election at the Eighth Annual General Meeting of the Company to be held as follows:-

Date of Meeting	Hour	Place
18 August 2004	10.00 a.m.	Evergreen Laurel Hotel, Laurel 1, (Level1), Persiaran Gurney, 10250 Penang.

Directors standing for re-election are as follows:-

Name of Director	Details of individual Directors
i) Dr Lim Siow Jin	Refer to page 6 of the Annual Report
ii) Leong Bee Ling	Refer to page 7 of the Annual Report
iii) Lim Boon Yee	Refer to page 6 of the Annual Report

# Proxy Form

DXN HOLDINGS BHD. (363120V)

I/We.....  
 of.....  
 being a member/members of the above named Company, hereby appoint.....  
 of.....  
 or failing him..... of  
 as my/our proxy, to vote for me/us and on my/our behalf at the EIGHTH ANNUAL GENERAL MEETING of the Company to be held at Evergreen Laurel Hotel, Laurel 1 ( Level 1), No. 53, Persiaran Gurney, 10250 Penang on Wednesday, 18 August 2004 at 10.00 a.m. and at any adjournment thereof.

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

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

Signed this .....day of

No. Of Ordinary Shares Held

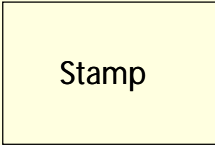
.....  
 Signature of Shareholder

## 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



The Secretary

**DXN HOLDINGS BHD.** (363120v)

Suite 2-1, 2nd Floor, Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah, 10050 Penang

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