

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 30 November 2007

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent audited financial statements of DXN Holdings Bhd for the year ended 28 February 2007.

2. Changes in accounting policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements of the year ended 28 February 2007 except for the adoption of the following applicable new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 March 2007:

FRS 117 Lease
FRS 124 Related Party Disclosure

The adoption of FRS 117 and FRS 124 does not have a significant financial impact on the Group. The principal change in classification resulted from the adoption of FRS 117 is as follows:

FRS 117: Lease

Prior to 1 March 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of lease of land. Leasehold land held for own use is now classified as operating lease and the up-front payment made represents prepaid land lease payments and are amortized on a straight-line basis over the lease term.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively, with the comparatives restated to conform with the current period’s presentation.

3. Auditors’ qualification

There were no qualifications on the audit report of the preceding annual financial statements of DXN Holdings Bhd.

4. Seasonality or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors.

5. Exceptional and extraordinary items

There were no exceptional and extraordinary items for the period under review except for an exceptional gain of RM 450,000 arising from the disposal of the timber concession right.

6. Change in estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

7. Change in debt and equity securities

i) Issuance of Shares

There were no issuance of any new ordinary shares for the current financial year to date.

ii) Treasury Shares

During the current quarter ended 30 November 2007, the Company repurchased 16,000 shares from open market for a total cash consideration of RM 9,621. As a result, 163,500 shares with the total cash consideration of RM 91,599 have been repurchased during the financial year to-date ended 30 November 2007 and it was financed by internally generated fund. The shares repurchased are being held as treasury shares in accordance with Section 67A subsection 3C of the Companies Act, 1965.

There were no disposal of treasury shares in the open market during the current quarter ended 30 November 2007. However in the financial year to-date ended 30 November 2007, the Company has resold 3,000,000 treasury shares in the open market at an average resale price of RM 0.71 per share for an aggregate net proceeds of RM 2,116,999. The disposal proceeds has been utilised for working capital purposes.

Details of the treasury shares disposed off in financial year to-date ended 30 November 2007 were as follows :

<u>Date</u>	<u>No. of Treasury Share Sold</u>	<u>Sales Price</u>			<u>Proceeds (RM)</u>
		<u>Highest Price (RM)</u>	<u>Lowest Price (RM)</u>	<u>Average Price (RM)</u>	
24 July 2007	1,620,000	0.74	0.70	0.71	1,154,425
25 July 2007	337,000	0.72	0.69	0.69	233,258
26 July 2007	925,000	0.71	0.70	0.70	647,914
28 July 2007	118,000	0.70	0.70	0.69	81,402

Other than the above, there were no cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter and financial year to-date ended 30 November 2007.

8. Dividends paid

The interim dividend of 5% less 27% tax per share amounting to RM2.099 million in respect of the financial year ended 28 February 2007 was paid on 5 April 2007.

At the Annual General Meeting held on 28 August 2007, the shareholders approved a final dividend of 5% less 27% tax per share amounting to RM 2,125 million in respect of the financial year ended 28 February 2007. The dividend was paid on 22 October 2007.

9. Segment revenue and results

The business segmental information has been prepared as follow:-

	Multi-level marketing RM'000	Property development RM'000	Investment holdings RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue							
Total External Revenue	147,685	12,278	-	-	3,107	-	163,070
Inter Segment Revenue	50,351	4,678	6,500	-	1,392	(62,921)	-
Total segment Revenue	198,036	16,956	6,500	-	4,499	(62,921)	163,070
Operating profit/(loss)	21,545	1,447	789	266	180	(493)	23,734

10. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The valuations of land and building have been brought forward without amendment from the previous audited financial statements

11. Material post balance sheet events

There were no material post balance sheet events subsequent to the end of the current interim period.

12. Changes in Group's composition

There were no changes in the composition of the Group for the current financial period other than the following: -

i) DXN Holdings Bhd. had on 17 April 2007 incorporated a 65% owned subsidiary, Borneo Bio Best (Sabah) Sdn. Bhd. ("BBBSSB") for the purpose of undertaking a Joint Venture with Korporasi Pembangunan Desa ("KPD"), whereby KPD will own the remaining 35% of equity stake of BBSD. BBSD is involved in the cultivation of Shitake and other species of mushrooms and production of its by-product. The authorized and paid up share capital of BBSD are RM1,000,000 and RM1,000 respectively ;

ii) DXN Holdings Bhd. had on 17 December 2007 through its wholly-owned subsidiary, DXN Land Sdn. Bhd., acquired one million (1,000,000) ordinary shares of RM1 each, representing the entire issued and paid up share capital of Bio Synergy Engineering Sdn Bhd (formerly known as Jaguh Kuasa Sdn Bhd) ("Bio Synergy") for a total cash consideration of RM1,009,780 ;

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

iii) DXN Holdings Bhd. had on 28 December 2007 incorporated a subsidiary in Mongolia, known as DAXEN LLC., through its wholly owned sub-subsidiary, DXN (Singapore) Pte. Ltd. The initial authorized and paid up share capital is USD10,000 (approximately equivalent to RM 33,445).

13. Changes in contingent liabilities and assets

i) Income Tax dispute

a) DXN Herbal Manufacturing (India) Pvt. Ltd. ("DXN Herbal"), a wholly-owned sub-subsidiary of DXN Holdings Bhd. in India, had on 10 February 2006 received 2 notices of demand in respect of year assessments 2003-04 and 2004-05, for a total amount of Rs.52,885,711 (equivalent to approximately RM4,507,433) from the Commissioner of Income Tax, Pondicherry ("COIT"), in relation to the dispute of DXN Herbal's tax status.

In response to the notice of the demand, DXN Herbal has appealed the matter to the COIT on 22 March 2006 and order from COIT was received by 17 August 2006 to dismiss the appeal. DXN Herbal had subsequently filed another appeal together with a stay application to the next higher authority, Income Tax Appellate Tribunal ("ITAT"), Chennai on 04 October 2006. DXN Herbal had attended the hearing fixed by ITAT on 2 January 2007 and the final order passed on 25 January 2007 by ITAT was not in favour of DXN Herbal.

Subsequently, DXN Herbal had filed an appeal to the Honourable High Court against the order from ITAT on 21 February 2007. The Honourable High Court admitted the appeal from DXN Herbal. As at to-date, the hearing date has yet to be fixed. Having relied on the opinion from the legal counsel that the company has a reasonable case to argue, the Directors are of the opinion that no provision is necessary at this juncture.

b) DXN Herbal had on 13 August 2007 received a notice of demand in respect of year assessments 2005-06, for a total amount of Rs.22,418,258 (equivalent to approximately RM1,910,701) from the COIT, in relation to the dispute of DXN Herbal's tax status. In response to the notice of the demand, DXN Herbal has appealed the matter to the COIT on 17 October 2007.

Save as disclosed above, no notice of demand has been received for other assessment years as at to-date.

ii) Excise Duty Dispute

DXN Herbal is in dispute with the custom authorities in India regarding the payment of custom and excise duty for certain products imported. While DXN Herbal continued to pay the differential custom and excise duty under protest, a civil appeal has been filed by DXN Herbal before the Honourable Supreme Court. The Honourable Supreme Court has on 6 March 2006 issued a notice ordering the matter remanded back to Tribunal as certain crucial factual aspects were not properly noticed by the Tribunal. As at to-date the Company has not receive any notice from the Tribunal and Honourable Supreme Court.

13. Changes in contingent liabilities and assets (Cont'd)

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

Other than the status of the contingent liabilities as disclosed above, there were no other contingent liabilities and assets applicable to the Group.

14. Review of performance of the Company and its principal subsidiaries for the current quarter and year-to-date

The Group recorded RM55.1 million revenue for current quarter ended 30 November 2007, representing an increase of 6.4% as compared to RM51.8 million in the corresponding quarter ended 30 November 2006. The increased in revenue was mainly contributed from property development segment in the current quarter.

The Group recorded a higher profit before tax ("PBT") of RM 7.0 million with PBT margin of 12.6% for the current quarter ended 30 November 2007 as compared to the corresponding quarter ended 30 November 2006 of RM 6.8 million with PBT margin of 13.1%. The declined in the Group's PBT margin was mainly due to lower PBT margin generated from property development segment.

15. Variation of results against preceding quarter

The Group reported slightly lower revenue of RM55.1 million in the current quarter ended 30 November 2007 as compared to RM55.8 million in the preceding quarter ended 31 August 2007. The decreased in revenue was mainly due to lower sales recorded in MLM segment. The Group's PBT for the quarter under review was RM7.0 million as compared to preceding quarter of RM 7.5 million. The Group's PBT margin decreased slightly from 13.5% in preceding quarter to 12.6% in current quarter.

16. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 29 February 2008 to remain satisfactory.

17. Variance of profit forecast

Not applicable for this reporting.

18. Taxation

	Current Year Quarter Ended 30 November 2007 RM'000	Current Year-to-date 30 November 2007 RM'000
Current period tax	2,027	5,968
Deferred tax	328	(300)
	<hr/> 2,355	<hr/> 5,668

18. Taxation (Cont'd)

The Group's effective tax rate of 33.8% for the current quarter is higher than the Malaysian statutory tax rate of 26% were mainly due to the expiry of the tax holiday of India manufacturing subsidiary and higher provision of tax for other overseas trading subsidiaries.

19. Profit/(Loss) on sale of unquoted investments and/or properties for current quarter and financial year-to-date

There were no sale of unquoted investments and properties for the period under review.

20. Purchase or disposal of quoted securities

i) Total sales of quoted securities for the current quarter ended 30 November 2007 is as follows:-

	Current Year Quarter Ended 30 November 2007 RM'000	Current Year-to-date 30 November 2007 RM'000
Disposal (proceeds)	(23)	(23)
Gain on disposal	4	4

ii) Investments in quoted securities as at 30 November 2007:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	180	74	74

21. Status of corporate proposals

There are no corporate proposals announced but not completed as at the date of this announcement.

22. Group borrowings and debts securities

	30 November 2007 RM'000
Current	
Secured	
- Ringgit Malaysia	11,789
- Foreign Currencies	450
	<u>12,239</u>
Non-current	
Secured	
- Ringgit Malaysia	12,282
- Foreign Currencies	-
Unsecured	
- Ringgit Malaysia	85,000
- Foreign Currencies	-
	<u>97,282</u>

23. Off balance sheet financial instruments

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments except for:-

i) Sales Forward Contract

Currency	Contracted Amount	Reference Rate	Transaction Date	Delivery Date
US Dollars	100,000	3.3355	13 Nov 2007	15 Nov 2007 to 17 Mar 2008
US Dollars	200,000	3.3415	15 Nov 2007	16 Nov 2007 to 30 Mar 2008
US Dollars	150,000	3.3496	15 Nov 2007	16 Nov 2007 to 28 Feb 2008
US Dollars	100,000	3.3720	20 Nov 2007	23 Nov 2007 to 28 Feb 2008
US Dollars	150,000	3.3720	22 Nov 2007	22 Nov 2007 to 27 Mar 2008

The hedging instruments were entered into with a reputable financial institution to limit the credit risk exposure of the Group. All gains and losses arising from forward foreign contracts are accounted for in the Income Statement upon maturity.

24. Changes in material litigation

The Group was not engaged in any material litigation for the current financial period.

25. Proposed dividend

No dividend has been proposed for the current quarter ended 30 November 2007.

26. Earnings per share

The calculation of earnings per share for the current quarter and corresponding quarter preceding year are based on the net profit attributable to ordinary shareholders of RM 4,611,000 and RM 4,527,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current Year Quarter Ended 30 November 2007 RM'000	Preceding Year Quarter Ended 30 November 2006 RM'000
Issued ordinary shares at beginning of the period	232,918	237,815
Effect of shares issued during the period	-	-
Effect of shares buy-back during the period	(14)	(14)
Effect of disposal of treasury shares during the period	-	-
Weighted average number of ordinary shares	<u>232,904</u>	<u>237,801</u>

26. Earnings per share (Cont'd)

Diluted earnings per share Weighted average number of ordinary shares	Current Year Quarter Ended 30 November 2007 RM'000	Preceding Year Quarter Ended 30 November 2006 RM'000
Weighted average number of ordinary shares	232,904	237,801
Effect of ESOS	-	-
Weighted average number of ordinary shares	<u>232,904</u>	<u>237,801</u>

As all the ESOS option holders has surrendered their exercise rights to the Company, therefore the calculation of diluted earnings per share is not applicable to the Group for the current quarter ended 30 November 2007.

27. Capital commitments

	30 November 2007 RM'000
Contracted but not provided for	6,866
Approved but not contracted for	<u>-</u>

28. Related party transactions

There were no non-recurring related party transactions during the period under review except for:-

i) DXN Pharmaceutical Sdn Bhd ("DPSB"), a wholly-owned subsidiary of DXN Holdings Bhd. has on 8 June 2007 signed the Sale and Purchase Agreement with Tastiway Sdn Bhd, to sell a piece of vacant land for a total consideration of RM500,000.

BY ORDER OF THE BOARD

Lam Voon Kean

Company Secretary

Dated this 24 January 2008