



DXN HOLDINGS BHD.
(Company No : 363120-V)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2008
(The figures have not been audited)

	INDIVIDUAL QUARTER CURRENT YEAR QUARTER 31-May-08 RM'000	INDIVIDUAL QUARTER PRECEDING YEAR CORRESPONDING QUARTER 31-May-07 RM'000	CUMULATIVE QUARTERS CURRENT YEAR TO DATE 31-May-08 RM'000	CUMULATIVE QUARTERS PRECEDING YEAR CORRESPONDING PERIOD 31-May-07 RM'000
Revenue	73,105	52,178	73,105	52,178
Operating profit	7,180	7,734	7,180	7,734
Financing costs	(1,276)	(1,068)	(1,276)	(1,068)
Interest income	90	243	90	243
Share of profit of associate	74	84	74	84
Profit before taxation	6,068	6,993	6,068	6,993
Tax expense	(1,984)	(1,797)	(1,984)	(1,797)
Net profit for the period	4,084	5,196	4,084	5,196
Attributable To :				
-Shareholders of the Company	4,084	5,197	4,084	5,197
-Minority interest	-	(1)	-	(1)
Net profit for the period	4,084	5,196	4,084	5,196
Earnings per share (sen)				
-Basic (Based on RM 0.25 per ordinary share)	1.75	2.26	1.75	2.26
-Diluted (Based on RM 0.25 per ordinary share)	1.75	2.26	1.75	2.26

The notes set out on pages 5 to 10 form an integral part of, and should be read in conjunction with, this interim financial report.

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MAY 2008

	As At End of Current Quarter 31-May-08 RM'000 (Unaudited)	As At Preceding Financial Year End 29-Feb-08 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	87,171	85,715
Prepaid lease payments	4,823	4,856
Computer software	1,678	1,610
Investment properties	5,946	5,675
Land held for property development	1,416	1,416
Investment in associates	1,442	1,368
Other investments	8,569	8,569
Goodwill on consolidation	1,815	1,815
Deferred tax assets	3,925	3,372
	116,785	114,396
Current assets		
Property development cost	45,701	47,325
Trade receivables	41,704	36,961
Other receivables and prepayment	34,672	35,600
Inventories	33,137	32,414
Current tax assets	5,024	5,610
Cash and cash equivalents	38,470	32,549
	198,708	190,459
Total assets	315,493	304,855
EQUITY AND LIABILITIES		
Share capital	60,191	60,191
Share premium	1,780	1,780
Translation reserve	(3,059)	(998)
Treasury shares	(5,078)	(5,063)
Retained earnings	107,673	103,589
Total equity attributable to shareholders of the Company	161,507	159,499
Minority Interest	-	-
Total Equity	161,507	159,499
LIABILITIES		
Non-current liabilities		
Long-term borrowings	95,358	95,383
Deferred tax liabilities	1,076	756
	96,434	96,139
Current liabilities		
Trade payables	12,369	6,493
Other payables	23,294	23,369
Short-term borrowings	18,926	16,659
Current tax liabilities	2,963	2,696
	57,552	49,217
Total equity and liabilities	315,493	304,855
Net assets per share (RM)	0.6935	0.6848

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MAY 2008

	31-May-08 RM'000	31-May-07 RM'000
Cash flow from operating activities		
Profit before taxation	6,068	6,993
Adjustments for: -		
Non-cash items	1,671	531
Non-operating items	1,186	824
	2,857	1,355
Operating profit before changes in working capital	8,925	8,348
Changes in working capital: -		
Net change in current assets	(3,924)	(5,967)
Net change in current liabilities	5,801	(783)
	1,877	(6,750)
Cash generated from operations	10,802	1,598
Income tax paid	(1,614)	(2,451)
<i>Net cash generated from/(used in) operating activities</i>	9,188	(853)
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,530)	(11,751)
Purchase of software costs	(189)	(142)
Purchase of investment properties	(294)	-
Proceeds from disposal of other investment	-	23
Repurchase of shares	(15)	(13)
Dividend received	-	1
Interest Income	90	243
<i>Net cash used in investing activities</i>	(2,938)	(11,639)
Cash flow from financing activities		
Borrowings	3,023	1,059
Placement of pledged fixed deposits	(369)	(127)
Interest paid	(1,276)	(1,068)
Dividend paid	-	(2,099)
<i>Net cash from/(used in) financing activities</i>	1,378	(2,235)
Net increase/(decrease) in cash and cash equivalents	7,628	(14,727)
Cash and cash equivalents at beginning of the period	22,337	40,644
Effect of exchange differences on cash and cash equivalents	(687)	(59)
Cash and cash equivalents at end of the period	29,278	25,858

Note :

Cash and cash equivalents

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

	RM'000	RM'000
Cash and bank balances	31,395	23,140
Fixed deposits with licensed banks	7,075	8,945
	38,470	32,085
Less : Pledged fixed deposits	(6,055)	(4,575)
Bank overdraft	(3,137)	(1,652)
Cash and cash equivalents	29,278	25,858

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MAY 2008

	Share Capital	Share Premium	Non-Distributable Translation Reserve	Treasury Shares	Distributable Retained Earnings	Total	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 March 2008	60,191	1,780	(998)	(5,063)	103,589	159,499	-	159,499
Net profit for the period	-	-	-	-	4,084	4,084	-	4,084
Exchange differences on translation of foreign entities	-	-	(2,061)	-	-	(2,061)	-	(2,061)
Treasury shares acquired	-	-	-	(15)	-	(15)	-	(15)
As at 31 May 2008	<u>60,191</u>	<u>1,780</u>	<u>(3,059)</u>	<u>(5,078)</u>	<u>107,673</u>	<u>161,507</u>	<u>-</u>	<u>161,507</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MAY 2007

	Share Capital	Share Premium	Non-Distributable Translation Reserve	Treasury Shares	Distributable Retained Earnings	Total	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 March 2007	60,191	1,613	(1,948)	(6,921)	86,265	139,200	-	139,200
Issued of shares by a new subsidiary	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	5,197	5,197	(1)	5,196
Exchange differences on translation of foreign entities	-	-	1,085	-	-	1,085	-	1,085
Treasury shares acquired	-	-	-	(13)	-	(13)	-	(13)
As at 31 May 2007	<u>60,191</u>	<u>1,613</u>	<u>(863)</u>	<u>(6,934)</u>	<u>91,462</u>	<u>145,469</u>	<u>(1)</u>	<u>145,468</u>

The notes set out on page 5 to 10 form an integral part of, and, should be read in conjunction with this interim financial report.

DXN HOLDINGS BHD.
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Notes to the Interim Financial Report
Period Ended 31 May 2008

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 29 February 2008.

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 29 February 2008 except for the adoption of the following applicable new/revised Financial Reporting Standards (“FRSs”) effective for financial period beginning 1 March 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

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.

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.

7. Change in debt and equity securities (Cont d)

ii) Treasury Shares

For current quarter ended 31 May 2008, the Company repurchased 32,000 shares from open market for a total cash consideration of RM 15,552.

As a result, 32,000 shares with the total cash consideration of RM 15,552 have been repurchased to-date for the financial year ended 28 February 2009 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. Other than the above, there were no cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 31 May 2008.

8. Dividends paid

No dividend was paid during the financial year-to-date.

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 R M'000	Energy RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue							
Total External Revenue	60,115	11,948	-	1	1,041	-	73,105
Inter Segment Revenue	-	287	2,457	-	106	(2,850)	-
Total segment Revenue	60,115	12,235	2,457	1	1,147	(2,850)	73,105
Operating profit (loss)	7,172	986	(67)	(219)	(263)	(429)	7,180

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.

13. Changes in contingent liabilities and assets

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 (“COIT”) Pondicherry, India 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. DXN Herbal has received an order from COIT for hearing fixed on 17 June 2008, however the hearing has been postponed and the date for hearing has yet to be fixed. Save as disclosed, no notice of demand has been received for other assessment years as at to-date.

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

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

The Group recorded RM73.1 million revenue for current quarter ended 31 May 2008, representing an increase of 40.1% as compared to RM52.2 million in the corresponding quarter ended 31 May 2007. The increased in revenue was mainly due to higher contribution from property development segment as well as increased in overseas sales from multi level marketing segment in the current quarter.

However, the Group recorded a lower profit before tax (“PBT”) of RM 6.1 million with PBT margin of 8.3% for the current quarter ended 31 May 2008 as compared to the corresponding quarter ended 31 May 2007 of RM 7.0 million with PBT margin of 13.4%. The declined in the Group’s PBT margin was mainly due to lower PBT margin generated from property development segment and the increase of selling and distribution expenses from multi level marketing segment.

1 . Variation of results against preceding quarter

The Group reported higher revenue of RM73.1 million in the current quarter ended 31 May 2008 as compared to RM67.2 million in the preceding quarter ended 29 February 2008. The increased in revenue was mainly contributed from multi level marketing segment. The Group's PBT for the quarter under review was RM6.1 million as compared to preceding quarter of RM 8.2 million. The Group's PBT margin decreased from 12.2% in preceding quarter to 8.3% in current quarter. The declined in the Group's PBT margin was mainly due to lower PBT margin generated from property development segment and the increase of selling and distribution expenses from multi level marketing segment.

16. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 28 February 2009 to be cautiously optimistic.

17. Variance of profit forecast

Not applicable for this reporting.

18. Taxation

	Current Year Quarter Ended 31 May 2008 RM'000	Current Year-to-date 31 May 2008 RM'000
Current tax	2,222	2,222
Deferred tax	(238)	(238)
	<u>1,984</u>	<u>1,984</u>

The Group's effective tax rate of 32.7% for the current quarter is higher than the Malaysian statutory tax rate of 25% were mainly due to certain foreign subsidiaries are subject to higher statutory tax rate and business losses in certain subsidiaries that are not adjusted for deferred tax assets.

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 current quarter 31 May 2008.

20. Purchase or disposal of quoted securities

i) There were no purchase or disposal of quoted securities for the current quarter 31 May 2008

ii) Investments in quoted securities as at 31 May 2008:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	<u>180</u>	<u>69</u>	<u>69</u>

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

	31 May 2008 RM'000
Current	
Secured	
- Ringgit Malaysia	18,926
- Foreign Currencies	-
	<u>18,926</u>
Non-current	
Secured	
- Ringgit Malaysia	10,358
- Foreign Currencies	-
Unsecured	
- Ringgit Malaysia	85,000
- Foreign Currencies	-
	<u>95,358</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	200,000	3.2063	3 Mar 2008	1 Aug 2008 to 29 Aug 2008
US Dollars	200,000	3.2082	3 Mar 2008	2 Sept 2008 to 30 Sept 2008
US Dollars	100,000	3.2025	11 Mar 2008	15 July 2008 to 14 Aug 2008
US Dollars	200,000	3.2000	17 Mar 2008	15 July 2008 to 29 Aug 2008
US Dollars	200,000	3.2020	17 Mar 2008	15 Aug 2008 to 30 Sept 2008
US Dollars	200,000	3.2051	17 Mar 2008	15 Sept 2008 to 31 Oct 2008
US Dollars	200,000	3.2068	17 Mar 2008	15 Oct 2008 to 28 Nov 2008
US Dollars	100,000	3.2006	21 Mar 2008	1 Aug 2008 to 15 Sept 2008
US Dollars	100,000	3.2036	21 Mar 2008	1 Sept 2008 to 15 Oct 2008
US Dollars	300,000	3.2062	21 Mar 2008	1 Oct 2008 to 14 Nov 2008
US Dollars	100,000	3.2045	8 May 2008	15 Sept 2008 to 14 Oct 2008
US Dollars	100,000	3.2062	8 May 2008	15 Oct 2008 to 7 Nov 2008
US Dollars	100,000	3.2170	8 May 2008	18 Aug 2008 to 18 Sept 2008
US Dollars	200,000	3.2224	12 May 2008	1 Dec 2008 to 31 Dec 2008
US Dollars	200,000	3.2269	12 May 2008	3 Nov 2008 to 28 Nov 2008
US Dollars	100,000	3.2445	28 May 2008	18 Nov 2008 to 17 Dec 2008
US Dollars	100,000	3.2440	28 May 2008	15 Dec 2008 to 14 Jan 2009

ii) Currency Option - Target Sale Forward Deal

Currency	Contracted Amount	Reference Rate	Trade Date	Expiry Date
US Dollars	200,000	3.1750	16 Apr 2008	14 July 2008
US Dollars	300,000	3.2600	9 July 2008	20 August 2008

23. Off balance sheet financial instruments (Cont d)

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.

2 . Changes in material litigation

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

2 . Proposed dividend

No dividend was proposed for the current quarter ended 31 May 2008.

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 shareholders of the Company of RM 4,084,000 and RM 5,197,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current Year Quarter Ended 31 May 2008 RM'000	Preceding Year Quarter Ended 31 May 2007 RM'000
Issued ordinary shares at beginning of the period	232,903	230,066
Effect of shares issued during the period	-	-
Effect of shares buy-back during the period	(30)	(20)
Weighted average number of ordinary shares	<u>232,873</u>	<u>230,046</u>

Diluted earnings per share

No ESOS has been granted to the eligible employee therefore the calculation of diluted earnings per share is not applicable to the Group for the current quarter ended 31 May 2008.

27. Capital commitments

	31 May 2008 RM'000
Contracted but not provided for	3,312
Approved but not contracted for	<u>-</u>

28. Related party transactions

There were no non-recurring related party transactions during the period under review.

BY ORDER OF THE BOARD

Lam Voon ean

Company Secretary

Dated this 2 July 2008