

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 30 November 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 quarter and financial year to date ended 30 November 2008.

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

ii) Treasury Shares

The Company repurchased 15,100 shares from open market for a total cash consideration of RM 5,788 during current quarter ended 30 November 2008.

As a result, an accumulated total of 291,900 shares with cash consideration of RM 119,266, have been repurchased for the financial year to date ended 30 November 2008. The repurchased shares were 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 30 November 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 holding RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue							
Total External Revenue	166,045	43,785	-	2	6,019	-	215,851
Inter Segment Revenue	-	738	7,436	-	1,009	(9,183)	-
Total segment Revenue	166,045	44,523	7,436	2	7,028	(9,183)	215,851
Operating profit/(loss)	28,095	4,222	334	(1,763)	(213)	(8,859)	21,816

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 quarter.

12. Changes in Group's composition

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

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 RM3,776,472) 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 RM1,600,847) 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 an order from COIT was received by 25 October 2008 to dismiss the appeal. DXN Herbal had subsequently filed another appeal to ITAT and pending for the hearing date to be fixed.

c) DXN Herbal had on 31 December 2008 received a notice of demand in respect of year assessments 2006-07, for a total amount of Rs.7,919,504 (equivalent to approximately RM565,517) from the COIT, in relation to the dispute of DXN Herbal’s tax status. In respond to the notice of demand, DXN Herbal is currently consulting with the Lawyer to appeal the case within the 1 month period granted by COIT in the notice of demand.

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.

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

The Group recorded RM 70.8 million revenue for current quarter ended 30 November 2008, representing an increase of 28.4% as compared to RM55.1 million in the corresponding quarter ended 30 November 2007. The increased in revenue was mainly due to higher contribution from property development segment and increased in overseas sales from multi-level marketing segment in the current quarter.

14. Review of performance of the Company and its principal subsidiaries for the current quarter and year-to-date (Cont'd)

The Group recorded a lower profit before tax (“PBT”) of RM 4.1 million with PBT margin of 5.8% for the current quarter ended 30 November 2008 as compared to the corresponding quarter ended 30 November 2007 of RM 7.0 million with PBT margin of 12.6%. The declined in the Group’s PBT margin was mainly due to lower PBT margin contributed from property development segment, one off expense incurred for assets written off in the energy segment due to relocation of plant, and making a necessary provision in respect of the additional duties liability in Philippine branch.

15. Variation of results against preceding quarter

The Group reported lower revenue of RM 70.8 million in the current quarter ended 30 November 2008 as compared to RM 72.0 million in the preceding quarter ended 31 August 2008. The decreased was mainly due to lower revenue contributed from property development segment. The Group’s PBT for the current quarter was RM 4.1 million as compared to preceding quarter of RM 8.7 million. The Group’s PBT margin decreased from 12.0% in preceding quarter to 5.8% in current quarter. The declined in the Group’s PBT margin was mainly due to one off expense incurred for assets written off in the energy segment due to relocation of plant, and making a necessary provision in respect of the additional duties liability in Philippine branch.

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 30 November 2008 RM'000	Current Year-to-date 30 November 2008 RM'000
Current tax	(659)	4,276
Deferred tax	86	(423)
	<u>(573)</u>	<u>3,853</u>

The Group’s effective tax rate recorded at –14.0% for the current quarter is lower than the Malaysian statutory tax rate of 25% due to a local manufacturing subsidiary company had reversed its provision of taxation upon approval granted from Ministry Of Agriculture for the pioneer status tax incentive in respect of the cultivation and processing of Reishi Gano (“RG”) and Gano Celium (“GL”).

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 and financial year-to-date except as disclosed below:-

Disposal of properties

	Current Year Quarter Ended 30 November 2008 RM'000	Current Year-to-date 30 November 2008 RM'000
Gain on disposal	-	172

20. Purchase or disposal of quoted securities

i) Total sales of quoted securities for the current quarter ended 30 November 2008 is as follows:-

	Current Year Quarter Ended 30 November 2008 RM'000	Current Year-to-date 30 November 2008 RM'000
Disposal (proceeds)	-	(37)
Loss on disposal	-	61

ii) Investments in quoted securities as at 30 November 2008:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	82	22	22

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 2008 RM'000
Current	
Secured	
- Ringgit Malaysia	16,213
- Foreign Currencies	-
	<u>16,213</u>
Non-current	
Secured	
- Ringgit Malaysia	8,497
- Foreign Currencies	-
Unsecured	
- Ringgit Malaysia	85,000
- Foreign Currencies	-
	<u>93,497</u>

23. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the reporting date, except for:-

i) Sales Forward Contract

Currency	Contracted Amount	Reference Rate	Transaction Date	Delivery Date
US Dollars	200,000	3.3560	25 Aug 2008	27 Aug 2008 to 13 Feb 2009
US Dollars	100,000	3.3910	24 Sept 2008	26 Sept 2008 to 26 Feb 2009
US Dollars	200,000	3.3898	24 Sept 2008	26 Sept 2008 to 16 Mar 2009
US Dollars	100,000	3.4250	03 Oct 2008	03 Oct 2008 to 31 Mar 2009
US Dollars	100,000	3.4220	03 Oct 2008	03 Oct 2008 to 15 Apr 2009
US Dollars	100,000	3.4651	08 Oct 2008	10 Oct 2008 to 27 Feb 2009
US Dollars	100,000	3.4594	08 Oct 2008	10 Oct 2008 to 31 Mar 2009
US Dollars	200,000	3.4564	08 Oct 2008	10 Oct 2008 to 30 Apr 2009
US Dollars	100,000	3.4980	03 Nov 2008	05 Nov 2008 to 05 May 2009
US Dollars	150,000	3.5190	06 Nov 2008	10 Nov 2008 to 29 May 2009
US Dollars	150,000	3.5370	07 Nov 2008	12 Nov 2008 to 29 May 2009
US Dollars	100,000	3.6295	05 Dec 2008	10 Dec 2008 to 16 Mar 2009
US Dollars	100,000	3.6269	05 Dec 2008	10 Dec 2008 to 15 Apr 2009
US Dollars	100,000	3.6214	05 Dec 2008	10 Dec 2008 to 15 May 2009
US Dollars	100,000	3.6172	05 Dec 2008	10 Dec 2008 to 15 Jun 2009
US Dollars	100,000	3.6133	05 Dec 2008	10 Dec 2008 to 15 Jul 2009
US Dollars	100,000	3.6090	05 Dec 2008	10 Dec 2008 to 17 Aug 2009
US Dollars	100,000	3.6165	20 Jan 2009	22 May 2009 to 26 June 2009
US Dollars	200,000	3.6180	20 Jan 2009	22 June 2009 to 22 July 2009
US Dollars	200,000	3.6200	20 Jan 2009	22 July 2009 to 22 Aug 2009

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 as at the reporting date.

25. Proposed dividend

No dividend was proposed for the current quarter ended 30 November 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 4,652,000 and RM 4,614,000 respectively.

26. Earnings per share (Cont'd)

	Current Year Quarter Ended 30 November 2008 RM'000	Preceding Year Quarter Ended 30 November 2007 RM'000
Basic earnings per share		
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the period	232,626	232,918
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>232,612</u>	<u>232,904</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 30 November 2008.

27. Capital commitments

	30 November 2008 RM'000
Contracted but not provided for	1,008
Approved but not contracted for	<u>35</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 Kean
Company Secretary
Dated this 22 January 2009