

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 28 February 2009

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 Group’s 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 28 February 2009.

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

ii) Treasury Shares

There were no share buy back for the current quarter ended 28 February 2009. However, accumulated total of 291,900 shares with total cash consideration of RM 119,266 have been repurchased for the financial year to date ended 28 February 2009. 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 28 February 2009.

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 RM'000	Energy RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue							
Total External Revenue	221,159	49,097	-	2	6,464	-	276,722
Inter Segment Revenue	-	796	10,014	-	1,160	(11,970)	-
Total segment Revenue	221,159	49,893	10,014	2	7,624	(11,970)	276,722
Operating profit/(loss)	37,868	4,145	292	(1,968)	(269)	(8,441)	31,627

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 other than as disclosed below:-

i) Daxen (NZ) Limited ("DXN NZ"), a wholly owned subsidiary of DXN International Holdings Limited ("DIH"), which in turn is a wholly-owned subsidiary of DXN Holdings Bhd. ("DXN"), had on 27 March 2009 received confirmation from its business consultant that its application of voluntarily winding up has been approved by New Zealand Companies Office ("NZCO") and the name of DXN NZ has been struck off from the register by NZCO pursuant to Section 318(1)(d) of the Companies Act 1993 of New Zealand; and

ii) DXN had on 7 April 2009 incorporated a wholly owned sub-subsidiary in Mexico, known as DAXEN MEXICO S.A. DE S.V ("Daxen Mexico"). The initial authorized and paid up share capital of Daxen Mexico are MXP50,000 (equivalent to approximately RM12,404) divided into 50,000 ordinary shares of MXP1.00 each, in which 49,500 shares (99% equity) and 500 shares (1% equity) are subscribed by DIH and DXN respectively.

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 RM3,849,313) 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 and total amount of Rs.39,061,103 (equivalent to approximately RM2,843,082) has been paid under protest. 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 RM1,631,724) 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. As at to-date, a bank guarantee of Rs.13,731,052 (equivalent to approximately RM999,421) in favour of COIT has been issued and total amount of Rs.8,687,206 (equivalent to approximately RM632,303) has been paid under protest.

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

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 RM576,425) from the COIT, in relation to the dispute of DXN Herbal's tax status. In respond to the notice of demand, DXN Herbal had made total payments in protest for Rs.5,563,445 (equivalent to approximately RM404,938) to COIT up until 21 April 2009 and the remaining amount of Rs. 2,356,059 (equivalent to approximately RM171,487) will be paid subsequently in 7 equal monthly instalments. DXN Herbal is appealing the case in COIT and pending for the hearing date 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.

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

The Group recorded RM 60.9 million revenue for current quarter ended 28 February 2009, representing a decrease of 9.4% as compared to RM 67.1 million in the corresponding quarter ended 29 February 2008. The decreased was mainly due to lower revenue contributed from property development segment

The Group recorded a higher profit before tax ("PBT") of RM 8.8 million with PBT margin of 14.4% for the current quarter ended 28 February 2009 as compared to the corresponding quarter ended 29 February 2008 of RM 8.2 million with PBT margin of 12.2%. The improvement in the Group's PBT margin was mainly due to decrease in administrative expenses and reversal of doubtful debts provision resulted from improved debt collection.

15. Variation of results against preceding quarter

The Group reported lower revenue of RM 60.9 million in the current quarter ended 28 February 2009 as compared to RM 70.8 million in the preceding quarter ended 30 November 2008. The decreased was mainly due to lower revenue contributed from property development segment. The Group's PBT for the current quarter was RM 8.8 million as compared to preceding quarter of RM 4.1 million whereas the PBT margin was increased from 5.8% in preceding quarter to 14.4% in current quarter. The improvement in the PBT margin was mainly due to reversal of doubtful debts provision in current quarter and one off expense incurred for assets written off and provision of custom duties liability in Philippine branch in preceding quarter.

16. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 28 February 2010 to be cautiously optimistic.

17. Variance of profit forecast

Not applicable for this reporting.

18. Taxation

	Current Year Quarter Ended 28 February 2009 RM'000	Current Year to-date 28 February 2009 RM'000
Current tax	373	4,649
Deferred tax	2,059	1,636
	<u>2,432</u>	<u>6,285</u>

The Group's effective tax rate of 27.7% for the current quarter is slightly higher than the Malaysian statutory tax rate of 25% were mainly due to certain foreign subsidiaries are subjected to higher corporate tax rate, however the year to-date effective tax rate of 22.8% is lower than the Malaysian statutory tax rate which was due to certain local manufacturing subsidiaries had granted the pioneer status tax incentive in current financial year.

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 28 February 2009 RM'000	Current Year-to-date 28 February 2009 RM'000
Gain on disposal	<u>322</u>	<u>494</u>

20. Purchase or disposal of quoted securities

i) Total sales of quoted securities for the current quarter ended 28 February 2009 is as follows:-

	Current Year Quarter Ended 28 February 2009 RM'000	Current Year-to-date 28 February 2009 RM'000
Disposal (proceeds)	-	(37)
Loss on disposal	<u>-</u>	<u>61</u>

ii) Investments in quoted securities as at 28 February 2009:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	<u>82</u>	<u>19</u>	<u>19</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

	28 February 2009 RM'000	29 February 2008 RM'000
Current		
Secured		
- Ringgit Malaysia	11,201	16,210
- Foreign Currencies	-	449
	<u>11,201</u>	<u>16,659</u>
Non-current		
Secured		
- Ringgit Malaysia	7,423	10,383
- Foreign Currencies	-	-
Unsecured		
- Ringgit Malaysia	85,000	85,000
- Foreign Currencies	-	-
	<u>92,423</u>	<u>95,383</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	150,000	3.5370	7 Nov 2008	12 Nov 2008 to 29 May 2009
US Dollars	100,000	3.6214	5 Dec 2008	10 Dec 2008 to 15 May 2009
US Dollars	100,000	3.6172	5 Dec 2008	10 Dec 2008 to 15 Jun 2009
US Dollars	100,000	3.6133	5 Dec 2008	10 Dec 2008 to 15 Jul 2009
US Dollars	100,000	3.6090	5 Dec 2008	10 Dec 2008 to 17 Aug 2009
US Dollars	100,000	3,6165	20 Jan 2009	22 May 2009 to 26 Jun 2009
US Dollars	200,000	3.6180	20 Jan 2009	22 Jun 2009 to 22 Jul 2009
US Dollars	200,000	3.6200	20 Jan 2009	22 Jul 2009 to 21 Aug 2009
US Dollars	200,000	3.6300	17 Feb 2009	20 Apr 2009 to 20 May 2009
US Dollars	100,000	3.6290	17 Feb 2009	20 May 2009 to 19 Jun 2009
US Dollars	100,000	3.6300	17 Feb 2009	17 Jun 2009 to 16 Jul 2009
US Dollars	100,000	3.6295	17 Feb 2009	17 Jul 2009 to 14 Aug 2009
US Dollars	200,000	3.6257	8 Apr 2009	1 Sept 2009 to 30 Sept 2009
US Dollars	200,000	3.6250	8 Apr 2009	1 Oct 2009 to 30 Oct 2009
US Dollars	100,000	3.6220	15 Apr 2009	15 Sept 2009 to 15 Oct 2009
US Dollars	100,000	3.6215	15 Apr 2009	15 Oct 2009 to 16 Nov 2009
US Dollars	100,000	3.6420	20 Apr 2009	15 Sept 2009 to 15 Oct 2009
US Dollars	100,000	3.6416	20 Apr 2009	15 Oct 2009 to 16 Nov 2009
US Dollars	300,000	3.6435	22 Apr 2009	25 May 2009 to 24 Jun 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

Subject to shareholders' approval, the directors proposed a final dividend of 5% less 25% tax in respect of the year ended 28 February 2009. (Previous year ended 29 February 2008: NIL)

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 6,356,000 and RM 3,503,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current Year Quarter Ended 28 February 2009 RM'000	Preceding Year Quarter Ended 29 February 2008 RM'000
Issued ordinary shares at beginning of the period	232,611	232,903
Effect of shares issued during the period	-	-
Effect of shares buy-back during the period	-	-
Effect of disposal of treasury shares during the period	-	-
Weighted average number of ordinary shares	<u>232,611</u>	<u>232,903</u>

27. Capital commitments

	28 February 2009 RM'000
Contracted but not provided for	673
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 Kean

Company Secretary

Dated this 29 April 2009