

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 31 August 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 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 2009.

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 for the year ended 28 February 2009.

2. Auditors' qualification

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

3. Seasonality or cyclical factors

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

4. Exceptional and extraordinary items

There were no exceptional and extraordinary items for the current financial year-to-date except for an exceptional gain of RM331,493 derived from disposal of shareholding in DXN International (Kenya) Limited.

5. Change in estimates

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

6. 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

The Company has repurchased 831,000 shares from open market for total cash consideration of RM 419,936 during current quarter ended 31 August 2009.

As a result, accumulated total of 2,775,000 shares have been repurchased for a total cash consideration of RM 1,180,057 for the current financial year-to-date. 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 31 August 2009.

7. Dividends paid

At the Annual General Meeting held on 18 August 2009, the shareholders approved a final dividend of 5% less 25% tax per share amounting to RM 2.158 million in respect of the financial year ended 28 February 2009. The dividend was paid on 15 September 2009.

The 1st interim dividend of 3% less 25% tax per share amounting to RM 1.295 million in respect of the financial year ended 28 February 2010 was paid on 15 September 2009.

Both the final and 1st interim dividends are accounted for in the shareholders' equity as an appropriation of retained earnings in the current quarter ended 31 August 2009.

8. 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	118,707	17,155	-	-	1,601	-	137,463
Inter Segment Revenue	-	284	4,620	-	508	(5,412)	-
Total segment Revenue	118,707	17,439	4,620	-	2,109	(5,412)	137,463
Operating profit/(loss)	28,173	1,074	(1,951)	(155)	502	(8,576)	19,067

9. 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.

10. Material post balance sheet events

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

11. 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) DXN Holdings Bhd. ("DXN") had on 25 March 2009 entered into a Share Sale Agreement with Mr Aby Joseph to dispose 40,000 ordinary shares of Kenya Shilling 100 each, representing the entire share equity of DXN International (Kenya) Limited for a total cash consideration of Kenya Shilling 40,000 (equivalent to approximately RM1,778);

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

ii) 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, had on 27 March 2009 been voluntarily wound-up as 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;

iii) DXN had on 7 April 2009 incorporated a wholly owned sub-subsiary 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; and

iv) DXN had on 9 July 2009 incorporated a wholly owned sub-subsiary in Peru, known as DXN INTERNATIONAL PERU SAC ("DXN Peru"). The initial authorized and paid up share capital of DXN Peru are Peruvian Nuevo Sol ("PEN") 9,000 (equivalent to approximately RM10,882) divided into 90 ordinary shares of PEN100.00 each, in which 89 shares and 1 share are subscribed by DIH and DXN respectively.

12. Changes in contingent liabilities and assets

Income Tax dispute

a) DXN Herbal Manufacturing (India) Pvt. Ltd. ("DXN Herbal"), a wholly-owned sub-subsiary 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. The ITAT heard the case on 26 August 2009 and ordered the case to be remanded back to COIT for re-assessment and it is now pending for the hearing date to be fixed by COIT.

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

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.

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.7,663,445 (equivalent to approximately RM557,788) to COIT up until 14 October 2009 and the remaining amount of Rs. 256,059 (equivalent to approximately RM18,637) will be paid in the subsequent month. 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.

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

The Group recorded RM 72.7 million revenue for current quarter ended 31 August 2009, representing an increase of 0.98% as compared to RM 72.0 million in the corresponding quarter ended 31 August 2008. The increased was due to higher revenue generated from multi-level marketing segment. Accumulatively, the Group recorded RM 137.5 million revenue for the six months financial period ended 31 August 2009.

The Group recorded a higher profit before tax ("PBT") of RM 10.8 million with PBT margin of 14.8% for the current quarter ended 31 August 2009 as compared to the corresponding quarter ended 31 August 2008 of RM 8.7 million with PBT margin of 12.0%. The improvement in the Group's PBT margin was derived from higher PBT margin contributed from multi-level marketing segment. Accumulatively, the Group recorded RM 17.3 million PBT for the six months financial period ended 31 August 2009.

14. Variation of results against preceding quarter

The Group reported higher revenue of RM 72.7 million in the current quarter ended 31 August 2009 as compared to RM 64.8 million in the preceding quarter ended 31 May 2009. The increased was due to higher revenue contributed from multi-level marketing segment. The Group's PBT for the current quarter was RM 10.8 million as compared to preceding quarter of RM 6.6 million whereas the PBT margin was increased from 10.1% in preceding quarter to 14.8% in current quarter. The improvement in the PBT margin was due to higher PBT margin contributed from multi-level marketing segment.

15. Current year prospects

The Group will remain focus on its existing core business activities and targeting more on overseas markets to enhance Group performance. Barring any unforeseen circumstances, the Directors remain optimistic for the Group performance for the financial year ending 28 February 2010.

16. Variance of profit forecast

Not applicable for this reporting.

17. Taxation

	Current Year Quarter Ended 31 August 2009 RM'000	Financial Year-to-date 31 August 2009 RM'000
Current tax	1,653	3,877
Deferred tax	(92)	(759)
	<u>1,561</u>	<u>3,118</u>

The Group's effective tax rate of 14.5% and 18.0% for the current quarter and financial year-to-date respectively are lower than the Malaysian statutory tax rate of 25% were mainly due to its two manufacturing subsidiaries that being granted pioneer status for tax exemption and utilising of accumulated reinvestment allowance respectively.

18. 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 31 August 2009 RM'000	Financial Year-to-date 31 August 2009 RM'000
Gain on disposal	<u>1,649</u>	<u>1,649</u>

19. Purchase or disposal of quoted securities

i) There were no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

ii) Investments in quoted securities as at 31 August 2009:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	<u>82</u>	<u>20</u>	<u>20</u>

20. Status of corporate proposals

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

21. Group borrowings and debts securities

	31 August 2009 RM'000	31 August 2008 RM'000
Current		
Secured		
- Denominated in Ringgit Malaysia	13,917	15,981
- Denominated in US Dollar	2,337	2,147
	<u>16,254</u>	<u>18,128</u>
Non-current		
Secured		
- Denominated in Ringgit Malaysia	6,599	6,920
- Denominated in US Dollar	660	2,658
Unsecured		
- Denominated in Ringgit Malaysia	85,000	85,000
	<u>92,259</u>	<u>94,578</u>

22. Off balance sheet financial instruments

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

i) Sales Forward Contract

Maturity Period	Contracted Amount USD'000
Nov 2009 - July 2010	<u>3,750</u>

ii) Target Enhanced Forward Contract

Maturity Period	Contracted Amount USD'000
Oct 2009 – Nov 2009	<u>1,400</u>

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.

23. Changes in material litigation

The Group was not engaged in any material litigation as at the reporting date.

24. Proposed dividend

The directors recommend a 2nd interim dividend of 4% less 25% tax for the current quarter (Previous corresponding quarter ended 31 August 2008: NIL). The dividend will be paid at the date to be determined later.

25. 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 9,212,000 and RM 6,224,000 respectively.

25. Earnings per share (Cont'd)

	Current Year Quarter Ended 31 August 2009 RM'000	Preceding Year Quarter Ended 31 August 2008 RM'000
Basic earnings per share		
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the period	230,667	232,871
Effect of shares issued during the period	-	-
Effect of shares buy-back during the period	(124)	(182)
Effect of disposal of treasury shares during the period	-	-
Weighted average number of ordinary shares	<u>230,543</u>	<u>232,689</u>

26. Capital commitments

	31 August 2009 RM'000
Contracted but not provided for	1,120
Approved but not contracted for	<u>283</u>

27. Related party transactions

There were no non-recurring related party transactions for the current financial year-to-date.

BY ORDER OF THE BOARD

Lam Voon Kean

Company Secretary

Dated this 27 October 2009