

DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 30 November 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 except for the adoption of the following adopted/revised FRSs, Amendments to FRSs and Interpretations that not yet effective and have not been applied by the Group:-

FRSs, Amendments to FRSs and Interpretations		Effective Date
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 4	Insurance Contract	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 101	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 138	Intangible Assets	1 January 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010

1. Basis of preparation (Cont'd)

FRSs, Amendments to FRSs and Interpretations		Effective Date
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Agreements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Improvements to FRSs (2009)		1 January 2010

The adoption of the FRSs, Amendments to FRSs and Interpretation upon their effective dates are not expected to have any significant impact on the financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 7 and FRS 139.

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 significantly affected by any 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 2,608,900 shares from open market for total cash consideration of RM 1,543,019 during current quarter ended 30 November 2009.

As a result, accumulated total of 5,383,900 shares have been repurchased for a total cash consideration of RM 2,723,076 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 30 November 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.

The 2nd interim dividend of 4% less 25% tax per share amounting to RM 1.704 million in respect of the financial year ended 28 February 2010 was paid on 3 December 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	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue						
Total External Revenue	176,989	20,371	-	2,442	-	199,802
Inter Segment Revenue	-	9,562	6,800	805	(17,167)	-
Total segment Revenue	176,989	29,933	6,800	3,247	(17,167)	199,802
Operating profit/(loss)	40,580	2,085	(1,849)	(171)	(8,616)	32,029

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);

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-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;

iv) DXN had on 9 July 2009 incorporated a wholly owned sub-subsidiary 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; and

v)) DXN had on 18 September 2009 incorporated a wholly owned sub-subsidiary in Chile, known as DXN INTERNATIONAL CHILE S.p.A. ("DXN Chile"). The initial authorized and paid up share capital of DXN Chile are Chilean Peso ("CLP") 1,000,000 (equivalent to approximately RM6,546) divided into 100 ordinary shares of CL P10,000 each, in which entirely subscribed by DIH.

12. Changes in contingent liabilities and assets

Income Tax dispute

There were no change in the status of DXN Herbal Manufacturing (India) Pvt. Ltd. ("DXN Herbal) tax cases dispute as disclosed in the previous quarter with except that there is a new notice of demand as below :-

i) DXN Herbal had on 17 December 2009 received a notice of demand in respect of year assessments 2007-08, for a total amount of Rs.7,513,933 (equivalent to approximately RM 543,897) 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.4,188,973 (equivalent to approximately RM 303,219) to COIT up until 25 January 2010 and the remaining amount of Rs.3,324,960 (equivalent to approximately RM 240,678) 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.

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

The Group recorded RM 62.3 million revenue for current quarter ended 30 November 2009, representing a decrease of 11.9% as compared to RM 70.8 million in the corresponding quarter ended 30 November 2008. The decreased was due to lower revenue contributed from property development segment. Accumulatively, the Group recorded RM 199.8 million revenue for the nine months financial period ended 30 November 2009.

The Group recorded a higher profit before tax ("PBT") of RM 12.1 million with PBT margin of 19.4% for the current quarter ended 30 November 2009 as compared to the corresponding quarter ended 30 November 2008 of RM 4.1 million with PBT margin of 5.8%. The improvement in the Group's PBT margin was mainly derived from higher PBT margin contributed from multi-level marketing segment due to its improvement in cost management and price revision for certain countries. Accumulatively, the Group recorded RM 29.4 million PBT for the nine months financial period ended 30 November 2009.

14. Variation of results against preceding quarter

The Group reported lower revenue of RM 62.3 million in the current quarter ended 30 November 2009 as compared to RM 72.7 million in the preceding quarter ended 31 August 2009. The decreased was due to lower revenue contributed from multi-level marketing segment and property development segment. The Group's PBT for the current quarter was RM 12.1 million as compared to preceding quarter of RM 10.8 million whereas the PBT margin was increased from 14.8% in preceding quarter to 19.4% in current quarter. Having consider the RM 2 million provision for the diminution of investment value in subordinate CLO Bond in preceding quarter, there are still an improvement of 1.8% PBT margin which was mainly contributed from multi-level marketing segment due to its improvement in cost management and price revision for certain countries.

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 30 November 2009 RM'000	Financial Year-to-date 30 November 2009 RM'000
Current tax	3,447	7,324
Deferred tax	(436)	(1,195)
	<u>3,011</u>	<u>6,129</u>

The Group's effective tax rate of 24.9% and 20.8% 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 30 November 2009 RM'000	Financial Year-to-date 30 November 2009 RM'000
Gain on disposal	-	<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 30 November 2009:-

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	<u>82</u>	<u>25</u>	<u>25</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

	30 November 2009 RM'000	30 November 2008 RM'000
Current		
Secured		
- Denominated in Ringgit Malaysia	18,600	13,893
- Denominated in US Dollar	2,249	2,320
- Denominated in SG Dollar	24	-
Unsecured		
- Denominated in Ringgit Malaysia	50,000	-
	<u>70,873</u>	<u>16,213</u>
Non-current		
Secured		
- Denominated in Ringgit Malaysia	6,208	6,578
- Denominated in US Dollar	175	1,919
- Denominated in SG Dollar	85	-
Unsecured		
- Denominated in Ringgit Malaysia	15,000	85,000
	<u>21,468</u>	<u>93,497</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
Feb 2010 - Oct 2010	<u>5,900</u>

ii) Target Enhanced Forward Contract

Maturity Period	Contracted Amount USD'000
Feb 2010	<u>1,250</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 3rd interim share dividend of 4% less 25% tax for the current quarter (Previous corresponding quarter ended 30 November 2008: NIL). The dividend will be paid at a 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 9,061,000 and RM 4,652,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

	Current Year Quarter Ended 30 November 2009 RM'000	Preceding Year Quarter Ended 30 November 2008 RM'000
Issued ordinary shares at beginning of the period	229,836	232,626
Effect of shares issued during the period	-	-
Effect of shares buy-back during the period	(1,725)	(14)
Effect of disposal of treasury shares during the period	-	-
Weighted average number of ordinary shares	<u>228,111</u>	<u>232,612</u>

26. Capital commitments

	30 November 2009 RM'000
Contracted but not provided for	1,191
Approved but not contracted for	<u>148</u>

27. Related party transactions

There were no non-recurring related party transactions for the current financial year-to-date other than as disclosed below:-

i) DXN Land Sdn Bhd, a wholly-owned subsidiary of DXN had in the ordinary course of business as property developers, on 24 November 2009 entered into the Sale and Purchase Agreement with the Managing Director, Mr. Lim Boon Yee to purchase 3 pieces of vacant land for a total cash consideration of RM706,090.

BY ORDER OF THE BOARD

Lam Voon Kean

Company Secretary

Dated this 26 January 2010