DXN HOLDINGS BHD.
(Company No. 363120-V)
(Incorporated in Malaysia)
Notes to the Interim Financial Report
Period Ended 31 May 2010

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 2010.

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 2010 except for the adoption of the following new and revised FRSs, IC Interpretations and Amendments :-

FRSs, Amendments to FRSs and IC Interpretations

FRS 4	Insurance Contract
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Improvements to FRSs (2009)	

1. Basis of preparation (Cont'd)

Other than for the application of FRS 8, FRS 101, Amendments to FRS 117 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

(a) FRS 8, Operating Segments

FRS 8 requires segment information to be presented on the same basis as that used for internal reporting purposes. As a result, the Group's segmental reporting has been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. The adoption of this standard does not have any impact on the financial position and results of the Group.

(b) FRS 101, Presentation of Financial Statements (revised)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidation statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. Comparative information, with exception of the requirements under FRS139, had been re-presented so that it is also in conformity with the revised standard. The adoption of this standard does not have any impact on the financial position and results of the Group.

(c) Amendments to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land were treated as operating leases and classified and presented as prepaid land lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. Accordingly, the Group has reassessed and determined the lands with initial lease term of 50 years or more are in substance finance leases, and reclassified it to property, plant and equipment. This change in classification has no effect to the profit or loss for the current period ended 31 May 2010 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows:

At 28 February 2010	As previously Reported RM'000	Reclassified RM'000	As restated RM'000
Property, plant and equipment	71,142	13,699	84,841
Prepaid land lease payments	14,765	(13,699)	1,066

(d) FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 sets out new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet reflects the designation of the financial instruments.

The adoption of FRS 139 has resulted in the following adjustments in which the foreign currency forward contracts entered into by the Group as at 1 March 2010 have been identified and re-measured at fair value. The difference between the re-measured amount and the contracted amount has been recognised as an adjustment to the retained earnings as detailed in the Statement of Changes in Equity.

1. Basis of preparation (Cont'd)

Consolidated statement of changes in equity	Retained Earnings RM ('000)
At 1 March 2010, as previously stated	145,485
Effect of adopting FRS 139:	
- Recognition of derivatives previously not recognised, net of tax	89
At 1 March 2010, as restated	145,574

Prior to the adoption of FRS 139, forward foreign currency contracts were recognized in the financial statements on settlement date. With the adoption of FRS 139, forward foreign currency contracts are now categorized as fair value through profit and loss and measured at their fair values with the gain or loss recognized in the profit or loss.

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.

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

For the current quarter ended 31 May 2010, the Company has repurchased 10,000 shares from open market for total cash consideration of RM 6,299. 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 May 2010.

7. Dividends paid

The 3rd 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 19 March 2010.

The 4th interim dividend of 3% less 25% tax per share amounting to RM 1.278 million in respect of the financial year ended 28 February 2010 was paid on 30 June 2010.

8. Segment revenue and results

The business segmental information has been prepared as follow:-

	Multi-level marketing RM'000	Property development RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue					
Total External Revenue	63,752	3,993	55	-	67,800
Inter Segment Revenue	-	53	285	(338)	-
Total segment Revenue	63,752	4,046	340	(338)	67,800
Operating profit/(loss)	14,230	23	(243)	(1,300)	12,710

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 24 March 2010 through its wholly owned subsidiary, DXN International Holding Limited ("DIH") to acquire 22,060 ordinary shares and 2,440 ordinary shares of Thai Bath 100 each respectively, representing in total 12.25% equity interest in DXN International (Thailand) Company Ltd ("DXN Thailand") for a total cash consideration of Thai Baht 6,247,500 (equivalent to approximately RM640,591). Upon the completion of the above acquisition, DIH's equity interest increased from 36.75% to 49.00%. Thereafter, DIH regards DXN Thailand as its subsidiary by virtue of having board control and being the single largest shareholder in DXN Thailand; and

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

ii) Daxen International (Nepal) Pvt. Ltd, a wholly owned subsidiary of the Company had on 20 April 2010 received the official notification letter from Company Registrar Office of Nepal to inform that the strike off application has been completed and the registration of Daxen International (Nepal) Pvt. Ltd. has been cancelled pursuant to section 136(1a) of the Companies Act 2006.

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 for year assessments 2003-04, 2004-05, 2005-06 and 2006-07 as disclosed in the previous quarter except for:-

i) In respect of the notice of demand for year assessments 2007-08, DXN Herbal had made total payments in protest for Indian Rupee ("RS") 7,038,973 (equivalent to approximately RM 497,208) to COIT up until 25 July 2010 and the remaining amount of RS 474,960 (equivalent to approximately RM 33,549) 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 67.8 million revenue for the current quarter and financial year-to date ended 31 May 2010, representing an increase of 4.6% as compared to RM 64.8 million in the corresponding quarter ended 31 May 2009. The increased was due to higher revenue contributed from multi-level marketing segment.

The Group recorded a higher profit before tax ("PBT") of RM 12.5 million with PBT margin of 18.5% for the current quarter and financial year-to date ended 31 May 2010 as compared to the corresponding quarter ended 31 May 2009 of RM 6.6 million with PBT margin of 10.1%. Multi-level marketing segment has contributed higher profit margin due to cost efficiency.

14. Variation of results against preceding quarter

The Group reported higher revenue of RM 67.8 million in the current quarter ended 31 May 2010 as compared to RM 60.1 million in the preceding quarter ended 28 February 2010. The increased was due to higher sales generated from multi-level marketing segment. The Group's PBT for the current quarter was RM 12.5 million as compared to RM 7.3 million in the preceding quarter. The increased in the PBT was mainly due to the provision of RM5.65 million for diminution of investment in CLO subordinated bond in the preceding quarter.

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 anticipate that the performance of the Group for the financial year ending 28 February 2011 to be optimistic.

16. Variance of profit forecast

Not applicable for this reporting.

17. Taxation

	Current Year Quarter Ended 31 May 2010 RM'000	Financial Year-to-date 31 May 2010 RM'000
Current tax	2,476	2,476
Deferred tax	(56)	(56)
	2,420	2,420

The Group's effective tax rate for the current quarter and financial year-to date is 19.3% which is lower than the Malaysian statutory tax rate mainly due to its manufacturing subsidiary that being granted pioneer status for tax exemption.

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 May 2010 RM'000	Financial Year-to-date 31 May 2010 RM'000
Gain on disposal	559	559

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 May 2010: -

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted investment	6	-	-

Full provision was made on the diminution of the above quoted investment.

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 May 2010 RM'000	31 May 2009 RM'000
Current		
Secured		
- Denominated in Ringgit Malaysia	18,036	12,776
- Denominated in US Dollar	1,141	2,387
- Denominated in SG Dollar	23	-
- Denominated in Philippine Peso	22	-
- Denominated in Thai Baht	32	-
Unsecured		
- Denominated in Ringgit Malaysia	35,000	-
	54,254	15,163
Non-current		
Secured		
- Denominated in Ringgit Malaysia	6,500	5,627
- Denominated in US Dollar	-	1,191
- Denominated in SG Dollar	70	-
- Denominated in Philippine Peso	42	
- Denominated in Thai Baht	15	
Unsecured		
- Denominated in Ringgit Malaysia	-	85,000
	6,627	91,818

22. Financial instruments

There were no financial instruments as at the balance sheet date except for as disclosed below:-

(a) Disclosure of derivatives

Type of Derivatives	Contract Value in Foreign Currency (USD'000)	Contract/Notional Value (RM'000)	Fair Value (RM'000)
i) Sales Forward Foreign Exchange Contract			
- Less than 1 year	14,200	47,625	46,549
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
ii) Target Enhanced Forward Contract			
- Less than 1 year	1,050	3,448	3,482
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-

22. Off balance sheet financial instruments (Cont'd)

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its liquidity and foreign currency risks. There were no significant changes to the Group's financial risk management policy nor accounting policy as disclosed in the most recent audited financial statements of the Group for the year ended 28 February 2010 except as disclosed in Note1- Adoption of New and Revised FRSs, IC Interpretations and Amendments of this report.

(b) Disclosure of gains/losses arising from fair value changes of financial liabilities

The above forward foreign exchange contracts entered into by the Group as at 31 May 2010 as disclosed above have been re-measured at fair value which resulted in the Group recognizing a total net gain of RM0.953 million for the current and cumulative quarter. The fair value is determined using forward exchange market rates as at 31 May 2010 which are provided by reputable financial institutions.

(c) Reason and basis in arriving at fair value changes

The RM0.953 million net gain represents the difference between the fair value of the forward contracts at the balance sheet date and the contracted value. The fair value is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward rate at the balance sheet date applied to a contract of similar quantum and maturity profile.

23. Changes in material litigation

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

24. Proposed dividend

A 1st interim dividend of 4% less 25% tax and 4% tax exempted dividend per ordinary share of RM0.25 each, totalling 8% gross dividend has been proposed for the current quarter (Previous corresponding quarter ended 31 May 2009: 3% less 25% tax). 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 equity holders of the Company of RM 10,076,000 and RM 5,012,000 respectively.

Basic earnings per share
Weighted average number of ordinary shares

	Current Year Quarter Ended 31 May 2010 RM'000	Preceding Year Quarter Ended 31 May 2009 RM'000
Issued ordinary shares at beginning of the period	227,227	232,611
Effect of shares issued during the period	-	-
Effect of shares buy-back during the period	(3)	(306)
Effect of disposal of treasury shares during the period	-	-
Weighted average number of ordinary shares	227,224	232,305

26. Capital commitments

	31 May 2010 RM'000
Contracted but not provided for	427
Approved but not contracted for	-

27. Related party transactions

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

BY ORDER OF THE BOARD
Lam Voon Kean
Company Secretary
Dated this 28 July 2010