
IX. FINANCIAL INFORMATION

1. HISTORICAL FINANCIAL INFORMATION
1.1 Proforma Consolidated Income Statement

The table below sets out a summary of the proforma consolidated income statement of the DXN Group for the past 5 financial years ended 28 February 2003 prepared based on the assumption that the current structure of the DXN Group has been in existence throughout the period under review. The proforma consolidated income statement are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section X of this Prospectus:

	< ----- Years ended 28/29 February ----- >				
	1999	2000	2001	2002	2003
	RM 000	RM 000	RM 000	RM 000	RM 000
Turnover	54,589	64,473	77,329	118,598	132,461
Consolidated profit before interest, depreciation, share of associated company's results, exceptional item and taxation	18,157	16,953	8,185	20,958	25,509
Interest expense	(225)	(409)	(379)	(812)	(814)
Depreciation	(1,263)	(2,335)	(2,709)	(2,891)	(4,211)
Share of associated company's results	(110)	-	-	-	-
Exceptional item	-	-	298	-	-
Consolidated PBT	16,559	14,209	5,395	17,255	20,484
Taxation ⁽⁴⁾	(21)	(4,151)	(1,993)	(3,562)	(3,526)
Consolidated PAT	16,538	10,058	3,402	13,693	16,958
No. of ordinary shares assumed in issue ⁽¹⁾ (000)	140,669	140,669	140,669	140,669	140,669
Gross EPS ⁽²⁾ (sen)	11.77	10.10	3.84	12.27	14.56
Net EPS ⁽³⁾ (sen)	11.76	7.15	2.42	9.73	12.06

Notes:

- (1) *Being the number of ordinary shares assumed in issue before the Rights Issue, Offer for Sale and the Public Issue.*
- (2) *The gross EPS is computed based on the consolidated PBT divided by the number of ordinary shares assumed in issue.*
- (3) *The net EPS is computed based on the consolidated PAT divided by the number of ordinary shares assumed in issue.*
- (4) *The under/overprovision of taxation has been adjusted to the relevant financial years concerned.*

IX. FINANCIAL INFORMATION (CONT'D)

1.2 Segmental Analysis

The table below sets out the segmental analysis by subsidiaries for the past 5 financial years ended 28 February 2003 which is prepared based on the proforma consolidated results of the DXN Group on the assumption that the current structure of the DXN Group has been in existence throughout the period under review. The proforma consolidated results are based on the audited financial statements of DXN, DISB, DKSB, DMSB, DPSB, DXN Pharma, DXN Plantation, DIPL, DXN HK, DXN Singapore and Daxen while the results for PT Daxen are based on the management accounts for the 3 financial period/years ended 31 December 2000 and the audited financial statements for the 3 financial period/years ended 28 February 2003. The proforma consolidated results have been prepared on a time apportioned basis where appropriate.

Analysis of turnover by subsidiary

	Proforma				
	Financial years ended 28/29 February				
	1999	2000	2001	2002	2003
	RM 000	RM 000	RM 000	RM 000	RM 000
DXN	100	2,611	120	10,120	44,064
DISB	12,789	31,740	24,953	29,220	29,975
DMSB	39,567	27,000	24,670	21,485	23,146
DXN Pharma	-	-	-	22,047	27,082
DXN Plantation	8,060	7,468	2,499	3,044	-
DKSB	357	3,593	5,016	-	-
DPSB	1,666	1,919	1,248	-	-
DIPL	-	609	34,123	70,909	57,086
DXN Singapore	3,112	3,733	12,943	20,520	22,156
DXN HK	2,046	2,571	2,094	2,109	2,468
PT Daxen	-	3	111	557	1,606
DXN Herbal	-	-	-	-	17,902
Daxen	-	-	-	-	10,092
DXN Cyprus	-	-	-	-	-
DXN UK	-	-	-	-	-
DXN SA	-	-	-	-	-
DIH	-	-	-	-	-
DXN Mexico	-	-	-	-	-
	67,697	81,247	107,777	180,011	235,577
Less: Consolidation adjustments	(13,108)	(16,774)	(30,448)	(61,413)	(103,116)
	54,589	64,473	77,329	118,598	132,461

IX. FINANCIAL INFORMATION (CONT'D)**Analysis of PAT by subsidiary**

	Proforma				
	←-----Financial years ended 28/29 February----->				
	1999	2000	2001	2002	2003
	RM 000	RM 000	RM 000	RM 000	RM 000
DXN	60	1,813	(70)	10,135	37,971
DISB	7,260	8,830	2,037	6,775	3,690
DMSB	7,106	865	65	(43)	(52)
DXN Pharma	(50)	(51)	(258)	5,937	10,344
DXN Plantation	3,409	1,251	481	47	64
DKSB	(60)	77	119	(13)	(2)
DPSB	(44)	32	(125)	(13)	(2)
DIPL	-	(33)	1,274	1,136	(175)
DXN Singapore	47	(259)	17	240	249
DXN HK	(904)	(307)	44	89	614
PT Daxen	(133)	(366)	(182)	(149)	308
DXN Herbal	-	-	-	-	5,523
Daxen	-	-	-	(336)	252
DXN Cyprus	-	-	-	-	(80)
DXN UK	-	-	-	-	(21)
DXN SA	-	-	-	-	(6)
DIH	-	-	-	-	(11)
DXN Mexico	-	-	-	-	(27)
	<u>16,691</u>	<u>11,852</u>	<u>3,402</u>	<u>23,805</u>	<u>58,639</u>
Less: Consolidation adjustments	(153)	(1,794)	-	(10,112)	(41,681)
	<u>16,538</u>	<u>10,058</u>	<u>3,402</u>	<u>13,693</u>	<u>16,958</u>

2. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND MATERIAL LITIGATION**(i) Working Capital**

The Directors of DXN are of the opinion that, after taking into account the forecast consolidated cashflows, banking facilities available and the gross proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

IX. FINANCIAL INFORMATION (CONT'D)**(ii) Borrowings**

The total outstanding borrowings of the Group as at 16 August 2003 are as follows:

Outstanding borrowings	Payable within 12 months RM 000	Payable after 12 months RM 000
Bank overdraft, trust receipts and bankers acceptances	3,705	-
Term loans	1,177	4,813
Unsecured loans	1,690	3,381
Hire-purchase and leases	411	367
Total	6,983	8,561

All the aforesaid borrowings are interest-bearing.

Out of the total outstanding borrowings as at 16 August 2003, approximately RM5.138 million comprises foreign borrowings and the details are as follows:

Company	Payable within 12 months (Amount in foreign currency) 000	Payable after 12 months (Amount in foreign currency) 000	Payable within 12 months RM 000	Payable after 12 months RM 000	Total borrowings RM 000
DIPL	Pesos709	Pesos60	49	4	53
DXN Herbal	Rupoc20,285	Rupoc40,570	1,690	3,381	5,071
PT Daxen	Rupiah30,513	-	14	-	14
Total			1,753	3,385	5,138

Save as disclosed above, the Group does not have any other loan capital outstanding or loan capital created but unissued, mortgages or charges outstanding. There has been no default by the DXN Group on payments of either interest and/or principal sums in respect of its borrowings throughout the past financial year and subsequent financial period immediately preceding the date of this Prospectus.

(iii) Contingent Liabilities

As at 16 August 2003, the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

IX. FINANCIAL INFORMATION (CONT'D)

(iv) Capital Commitments

Save as disclosed below, as at 16 August 2003, the Directors are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

RM 000

Approved and contracted for

2,220

(v) Material Litigation

As at 16 August 2003, neither DXN nor its subsidiaries are engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of DXN or its subsidiaries and the Board of Directors of DXN do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of DXN or its subsidiaries.

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IX. FINANCIAL INFORMATION (CONT'D)

3. REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST

(Prepared for inclusion in this Prospectus)



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The Board of Directors
DXN Holdings Bhd
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Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Penang

22 August 2003

Dear Sirs

**DXN HOLDINGS BHD ("DXN")
REPORTING ACCOUNTANTS' LETTER ON CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 29 FEBRUARY 2004**

We have reviewed the consolidated profit forecast of DXN, its subsidiaries and associated company (hereinafter referred to as the "DXN Group") for the financial year ending 29 February 2004 (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The consolidated profit forecast has been prepared for the purpose of inclusion in this Prospectus dated 28 August 2003 in connection with the following:

- (a) offer for sale of 47,600,000 ordinary shares of RM0.25 each in DXN ("DXN Shares") comprising:
 - i. 12,000,000 DXN Shares for application by Bumiputera investors approved by the Ministry of International Trade and Industry at a retail price of RM0.63 per DXN Share; and
 - ii. 35,600,000 DXN Shares to institutional investors at an institutional price to be determined by way of book-building; and
- (b) public issue of 10,000,000 new DXN Shares at a retail price of RM0.63 per DXN Shares ; and
- (c) the listing of and quotation for the entire enlarged issued and fully paid-up share capital of DXN comprising 240,000,000 DXN Shares on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast is, in all material respects, properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the DXN Group in its audited financial statements for the year ended 28 February 2003. The Directors of DXN are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.



KPMG, KPMG, a partnership established under Malaysian Law, is a member of KPMG International, a Swiss association.



IX. FINANCIAL INFORMATION (CONT'D)



Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expect to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which a forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which cause us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the DXN Group in its audited financial statements for the financial year ended 28 February 2003.

Yours faithfully

KPMG
Firm No : AF 0758
Chartered Accountants

Lee Kean Teong
Partner
Approval Number : 1857/02/04(J)

IX. FINANCIAL INFORMATION (CONT'D)**4. CONSOLIDATED PROFIT FORECAST***(Prepared for inclusion in this Prospectus)*

For Identification Purposes



**DXN HOLDINGS BHD
CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 29 FEBRUARY 2004**

The Board of Directors of DXN forecasts that the consolidated profit after taxation of DXN for the financial year ending 29 February 2004 will be as follows: -

	RM'000
Consolidated profit before taxation	22,618
Taxation	(4,834)
Consolidated profit after taxation	17,784
Pre-acquisition profit	
Profit before taxation	(2,584)
Taxation	710
	(1,874)
Consolidated profit after taxation attributable to shareholders	15,910
Gross earnings per share ("EPS") (sen) ⁽¹⁾	9.42
Net EPS (sen) ⁽²⁾	7.41
Gross price earnings multiple ("PE Multiple") [@] (times)	6.69
Net PE Multiple [@] (times)	8.50

Notes:

[@] Based on retail price of RM0.63.

(1) Computed based on the consolidated profit before taxation divided by the enlarged issued and paid-up share capital of 240,000,000 DXN Shares.

(2) Computed based on the consolidated profit before taxation divided by the enlarged issued and paid-up share capital of 240,000,000 DXN Shares.

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes



BASES AND ASSUMPTIONS

The principal bases and assumptions upon which the consolidated profit forecast has been arrived at are as set out below :

- i) There will be no significant changes in the principal activities, management structure, accounting and business policies adopted by the Group.
- ii) The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
- iii) There will be no adverse change to the legislation and regulations, rates and basis of duties, levies and taxes in the countries in which the Group operates which will adversely affect the operations of the Group.
- iv) There will be no material setback in the growth of the economy and the political conditions which will adversely affect the operations of the Group or the market in which it operates.
- v) There will be no major industrial disputes or any abnormal circumstances which will adversely affect the operations of the Group.
- vi) There will be no significant changes in the current pricing of the Group's product.
- vii) The forecast turnover and related costs are based on the directors forecasts after taking into consideration the present selling prices and related costs of the Group. There will be no material changes to the forecast selling price, sales mix, sales volume and profit margins.
- viii) Production/processing costs will not be adversely affected by any abnormal circumstances or events. Raw material cost will not fluctuate significantly.
- ix) There will be no significant changes in current demand and in the prevailing market conditions which will adversely affect the performance of the Group.
- x) The rates and bases of taxation including the tax incentives and government duties applicable to the Group will remain at their present levels.
- xi) There will be no major breakdown or disruption in either the manufacturing facilities or the sourcing of suppliers and materials by the Group.
- xii) There will be no material fluctuations in manufacturing costs (including labour, cost of materials and other production overheads).
- xiii) There will be no unexpected problems that may affect the Group's various manufacturing programmes.
- xiv) There will be no major capital and revenue items variations that are beyond the control of the Group.
- xv) Inflation rates will remain at present levels.

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes

**BASES AND ASSUMPTIONS (Cont'd)**

xvi) There will be no adverse movements in foreign currency exchange rates which will materially affect the Group's operation. The Group assumes the exchange rate in the profit forecast are as follows :-

RM 1	:	Rupees 12.800
RM 1	:	HKD 2.080
RM 1	:	Rupiah 2857
RM 1	:	Pesos 13.780
RM 1	:	Baht 11.830
RM 1	:	USD 0.263
RM 1	:	SGD 0.4910

xvii) There will be no significant incidence of bad debts.

xviii) Interest rates will not change significantly.

xix) Capital expenditure for the Group for the financial year ending 29 February 2004 will be RM3,477,000.

xx) The Group will pay net dividend of RM2,160,000 in respect of the financial year ending 29 February 2004.

xxi) The directors are of the opinion that the implementation of the Asia Free Trade Agreement will not have any material impact of the operation of the Group.

xxii) There will be no change in the Group structure for the financial year ending 29 February 2004 other than those included in the restructuring scheme.

xxiii) Related party transactions are entered in the normal course of business and are established on a negotiated basis which are no less favourable than those arranged with independent third parties.

xxiv) The consolidated profit forecast reflects the gross proceeds arising from the Rights Issue and Public Issue amounting to RM22.333 million and RM6.300 million respectively are expected to be fully utilised by the Group for its core business by the end of 2004 in the following manner:

	RM' 000
Repayment of bank borrowings	5,654
Acquisition of DXN's corporate headquarters	3,000
Construction of DXN Industries Sdn Bhd's factory building	3,500
Acquisition of plant and machinery	1,000
Working capital	12,979
Estimated listing expenses	2,500
	<u>28,633</u>

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes



BASES AND ASSUMPTIONS (Cont'd)

- xxv) The listing expenses of RM2,500,000 will be set off against the share premium account.
- xxvi) The listing of and quotation for its entire enlarged issued and paid-up share capital of DXN comprising 240,000,000 ordinary shares of RM0.25 each on the Main Board of the KLSE is expected to be completed by October 2003.

IX. FINANCIAL INFORMATION (CONT'D)

5. DIRECTORS' ANALYSIS AND COMMENTARY**(a) Profit forecast for the financial year ending 29 February 2004**

The Directors of DXN have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit forecast of the DXN Group for the financial year ending 29 February 2004 and are of the opinion that the consolidated profit forecast is fair and reasonable in light of the prospects of the herbal supplements industry and the direct selling industry in which it operates and the future plans, strategies and prospects of the DXN Group as set out in sections V(5) and V(8) of this Prospectus and after taking into consideration the forecast gearing level, liquidity and working capital requirements of the Group.

The consolidated turnover of the DXN Group for the financial year ending 29 February 2004 is forecast to increase by RM17.42 million or approximately 13.15% to RM149.88 million as compared to RM132.46 million for the financial year ended 28 February 2003, mainly due to the continuing increase in demand from its existing customers and existing markets.

The consolidated PBT for the financial year ending 29 February 2004 of RM22.62 million is forecast to be approximately 10.45% higher than the previous financial year mainly due to the continuing increase in demand from its existing customers and markets. The forecast PBT margin for the DXN Group of 15.09% is in line with the PBT margin in the previous financial year of 15.46%. The consolidated PAT is forecast to be RM17.78 million for the financial year ending 29 February 2004, representing an increase of approximately 4.83% as compared to RM16.96 million recorded in the previous financial year. The PAT margin for the DXN Group is forecast to decrease from 12.80% to 11.86% in the financial year ending 29 February 2004 due to a higher level of available tax losses and capital allowances for set-off against taxable income in the financial year ended 28 February 2003 compared to the financial year ended 29 February 2004.

The effective tax rate for the financial year ending 29 February 2004 is approximately 21.37% which is lower than the statutory tax rate of 28.00% mainly due to DXN Pharma's pioneer status and the 5 year tax holiday for DXN Herbal.

The Directors do not expect any exceptional or extraordinary items during the financial year ending 29 February 2004.

(b) Allowance for doubtful debts and write off of bad debts

The DXN Group did not have any allowance for doubtful debts or any bad debts written off in the past 4 financial years ended 28 February 2002 except for the allowance for doubtful debts of RM7,485 and RM6,718 for the trade receivables of DXN Thailand for the financial years ended 28 February 2001 and 28 February 2002 respectively which were in relation to debts due from stockists and distributors which exceeded the credit period. There were no material allowance for doubtful debts or any bad debts written off for the past 4 financial years ended 28 February 2002 as the Group's revenue is mainly derived from direct selling activities which is cash in nature. Credit sales are extended to certain major stockists overseas of 30 to 60 days.

For the financial year ended 28 February 2003, the Group has an outstanding trade receivables balance of RM11.03 million of which RM8.59 million has been collected as at 31 July 2003. In respect of the outstanding trade receivables, the Group made an allowance for doubtful debts amounting to RM1.24 million for certain trade receivables due from stockists and distributors which have been outstanding for more than 5 months. The Directors of DXN are of the opinion that the Group's remaining trade receivables are recoverable in view of the on-going long term business relationship with its major stockists and distributors and mitigating measures such as the deduction of bonus payments from its stockists and distributors for long outstanding debts.

IX. FINANCIAL INFORMATION (CONT'D)

The Group has in place measures such as the monitoring of debts which have exceeded the stipulated credit period, sending of late payment notices and deduction of bonus payments from its stockists and distributors for long outstanding debts. Going forward the Group intends to appoint a dedicated team of credit personnel to monitor its stockists and distributors to ensure that trade receivables are collected within the stipulated credit period.

6. DIVIDEND FORECAST

It is the policy of the Directors of DXN in recommending dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Group.

Based on the forecast consolidated PAT net of pre-acquisition profit of RM15.910 million for the financial year ending 29 February 2004, the Directors of DXN anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend of 1.25 sen for the financial year ending 29 February 2004, based on the enlarged issued and paid-up share capital of 240,000,000 ordinary shares of RM0.25 each.

The intended appropriation of the forecast consolidated PAT for the financial year ending 29 February 2004 will be as follows

	RM 000
Consolidated PBT	22,618
Taxation	(4,834)
Consolidated PAT	<u>17,784</u>
Pre-acquisition profit before taxation	<u>(2,584)</u>
Taxation	710
Pre-acquisition profit after taxation	(1,874)
Consolidated PAT attributable to shareholders	15,910
Less: Proposed net dividend of 3.6%	<u>(2,160)</u>
Unappropriated profit carried forward	<u>13,750</u>
Gross dividend per ordinary share (sen)	1.25
Net dividend per ordinary share (sen)	0.90
Gross dividend cover (times)	7.54
Net dividend cover (times)	8.23
Gross dividend yield <i>(based on the Retail Price of RM0.63)</i>	1.98%
Net dividend yield <i>(based on the Retail Price of RM0.63)</i>	1.43%

Future dividends may be waived in the event of the following circumstances:

- (i) insufficient retained profits to declare as dividends;
- (ii) insufficient tax exempt profits to declare as dividends and/or insufficient tax credits to frank its dividends; or
- (iii) insufficient cashflows to pay dividends.

IX. FINANCIAL INFORMATION (CONT'D)

7. SENSITIVITY ANALYSIS

The principal bases and assumptions upon which the sensitivity analysis of the Group's profit forecast has been made are as follows:

- (i) The selected variable item will vary $\pm 5\%$ and $\pm 10\%$;
- (ii) The variable operating expenses will vary with the change in revenue; and
- (iii) Except for the selected variable items, the same assumptions for the other items as for the base case shall apply.

The following scenarios attempt to show the impact on the forecast consolidated PBT and PAT resulting from changes in revenue and cost of sales.

(i) Variation in Revenue

A sensitivity analysis on the DXN Group's forecast consolidated PBT and PAT for the financial year ending 29 February 2004 based on a deviation of 5% to 10% on the DXN Group's revenue for the financial year is set out below:

	<-----PBT----->		<-----PAT----->	
	RM 000	%	RM 000	%
Forecast	22,618	-	17,784	-
Deviation				
Up 10%	26,892	18.90	20,777	16.83
Up 5%	24,756	9.45	19,280	8.41
Down 5%	20,480	9.45	16,288	8.41
Down 10%	18,342	18.91	14,791	16.83

All other factors remaining equal, an increase in revenue by 5% and 10% will result in an increase in the PAT of the Group by 8.41% and 16.83% respectively and similarly a decrease in the revenue by 5% and 10% will result in a decrease in the PAT of the Group by 8.41% and 16.83% respectively.

(ii) Variation in Cost of Sales

A sensitivity analysis on the DXN Group's forecast consolidated PBT and PAT for the financial year ending 29 February 2004 based on a deviation of 5% to 10% on the DXN Group's cost of sales for the financial year is set out below:

	<-----PBT----->		<-----PAT----->	
	RM 000	%	RM 000	%
Forecast	22,618	-	17,784	-
Deviation				
Up 10%	18,421	18.56	14,846	16.52
Up 5%	20,520	9.28	16,315	8.26
Down 5%	24,716	9.28	19,253	8.26
Down 10%	26,815	18.56	20,722	16.52

All other factors remaining equal, an increase in cost of sales by 5% and 10% will result in a decrease in the PAT of the Group by 8.26% and 16.52% respectively and similarly a decrease in the cost of sales by 5% and 10% will result in an increase in the PAT of the Group by 8.26% and 16.52% respectively.

The Board of Directors has reviewed and analysed the bases and assumptions used upon which the sensitivity analysis of the Group's profit forecast has been made and is of the opinion that the sensitivity analysis on the Group's profit forecast is fair and reasonable.

IX. FINANCIAL INFORMATION (CONT'D)

8. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)



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The Board of Directors
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22 August 2003

Dear Sirs

**DXN HOLDINGS BHD ("DXN")
REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 28 FEBRUARY 2003**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of DXN, its subsidiaries and its associated company (hereinafter referred to as the "DXN Group") as at 28 February 2003 (which we have stamped for the purpose of identification), for which the Directors are solely responsible, together with the notes thereon, as set out in the Prospectus dated 28 August 2003 in connection with the following:

- (a) offer for sale of 47,600,000 ordinary shares of RM0.25 each in DXN ("DXN Shares") comprising:
 - i. 12,000,000 DXN Shares for application by Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") at a retail price of RM0.63 per DXN Share; and
 - ii. 35,600,000 DXN Shares to institutional investors at an institutional price to be determined by way of book-building; and
- (b) public issue of 10,000,000 new DXN Shares at a retail price of RM0.63 per DXN Share; and
- (c) the listing of and quotation for the entire enlarged issued and fully paid-up share capital of DXN comprising 240,000,000 DXN Shares on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion,

- i) the Proforma Consolidated Balance Sheets have been properly compiled on the basis of preparation stated;
- ii) such basis is consistent with the accounting policies of the DXN Group; and
- iii) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

Yours faithfully

KPMG
Firm No : AF 0758
Chartered Accountants

Lee Kean Teong
Partner

Approval Number : 1857/02/04(J)



KPMG, KPMG, a partnership established under Malaysian Law, is a member of KPMG International, a Swiss association



IX. FINANCIAL INFORMATION (CONT'D)

9. PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

DAN HOLDINGS BHD
PROFORMA CONSOLIDATED BALANCE SHEETS AT 28 FEBRUARY 2003

For Identification Purposes



	Proforma I Audited as at 28 February 2003 RM 000	Proforma II After Proforma I and Bonus Issue RM 000	Proforma III After Proforma I, II and Acquisitions and Transfers RM 000	Proforma IV After Proforma I, II, III and Rights Issue RM 000	Proforma V After Proforma I, II, III, IV and Offer for Sale RM 000	Proforma VI After Proforma I, II, III, IV, V and Public Issue RM 000	Proforma VII After Proforma I, II, III, IV, V, VI and utilisation of proceeds RM 000	Proforma VIII After Proforma I, II, III, IV, V, VI, VII and ESOS RM 000
Property, plant and equipment Investment in an associate Other investments	24,988 - 1,269	24,988 - 1,269	34,723 106 1,269	34,723 106 1,269	34,723 106 1,269	34,723 106 1,269	42,223 106 1,269	42,223 106 1,269
Current assets								
Inventories	9,870	9,870	23,370	23,370	23,370	23,370	23,370	23,370
Trade and other receivables	32,299	32,299	27,422	27,422	27,422	27,422	27,422	27,422
Tax refundable	910	910	826	826	826	826	826	826
Cash and cash equivalents	6,721	6,721	11,888	34,221	34,221	40,521	24,866	39,986
	49,800	49,800	63,506	85,839	85,839	92,139	76,484	91,604
Current liabilities								
Trade and other payables	20,823	20,823	27,808	27,808	27,808	27,808	27,808	27,808
Borrowings	9,028	9,028	9,125	9,125	9,125	9,125	7,919	7,919
	29,851	29,851	36,933	36,933	36,933	36,933	35,727	35,727
Net current assets	19,949	19,949	26,573	48,906	48,906	55,206	40,757	55,877
Net assets	46,206	46,206	62,671	85,004	85,004	91,304	84,355	99,475
Financed by:								
Share capital	375	30,875	35,167	57,500	57,500	60,000	60,000	66,000
Share premium	-	-	-	-	-	3,800	1,300	10,420
Retained profits	35,582	5,082	5,082	5,082	5,082	5,082	5,082	5,082
	35,957	35,957	40,249	62,582	62,582	68,882	66,382	81,502
Negative goodwill	3,943	3,943	11,432	11,432	11,432	11,432	11,432	11,432
Borrowings	5,667	5,667	10,351	10,351	10,351	10,351	5,902	5,902
Deferred tax	639	639	639	639	639	639	639	639
	46,206	46,206	62,671	85,004	85,004	91,304	84,355	99,475
NTA per ordinary share (RM)	95.89	23.97	0.29	0.27	0.27	0.29	0.28	0.31

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes



**DXN HOLDINGS BHD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 28 FEBRUARY 2003**

The Consolidated Balance Sheets of DXN have been prepared based on the audited financial statements of DXN and its subsidiaries and associated company as at 28 February 2003.

The Proforma Consolidated Balance Sheets of DXN have been prepared for illustrative purposes only to show the effects of the following transactions on the assumption that these were effected on 28 February 2003.

Proforma I

Proforma I incorporates the effect of the following:

- Divestment of 20,847 existing ordinary shares of RM1.00 each in DXN by Leong Bee Ling to Lembaga Tabung Angkatan Tentera (“LTAT”) at an offer price of approximately RM264 per ordinary share which was arrived at based on a willing buyer-willing seller basis.
- Sub-division of par value for every existing ordinary share in DXN from RM1.00 to RM0.25.

Proforma II

Proforma II incorporates the effect of Proforma I and the following:

- Bonus issue of 122,000,000 new DXN Shares credited as fully paid-up on the basis of 81.33 new DXN Shares for every 1 existing DXN Share held prior to the Acquisitions (“Bonus Issue”).

Proforma III

Proforma III incorporates the effect of Proforma I, II and the following:

- Acquisitions
 - i. Acquisition of DXN International Private Ltd (“DIPL”)

Acquisition of the entire issued and fully paid-up share capital of DIPL comprising 15,010 ordinary shares of USD1.00 each (“DIPL Shares”) for a total purchase consideration of approximately RM1,726,023 to be satisfied by the issuance of 6,904,050 new DXN Shares at par. As part of the Acquisition of DIPL, the DIPL Shares were transferred to DXN International Holding Limited (“DIH”), DXN’s wholly-owned subsidiary, resulting in DIH holding the entire equity interest in DIPL upon completion of the Acquisition of DIPL;

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes



ii. Acquisition of PT Daxen Indonesia ("PT Daxen")

Acquisition of the entire issued and fully paid-up share capital of PT Daxen comprising 700 ordinary shares of Rupiah14,500,000 each ("PT Daxen Shares") for a total purchase consideration of approximately RM2,021,546 to be satisfied by the issuance of 8,086,100 new DXN Shares at par. As part of the Acquisition of PT Daxen, 99% of the PT Daxen Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding 99% of the equity interest in PT Daxen upon completion of the Acquisition of PT Daxen;

iii. Acquisition of DXN International (Hong Kong) Limited ("DXN HK")

Acquisition of the entire issued and fully paid-up share capital of DXN HK comprising 2,500,000 ordinary shares of HKD1.00 each ("DXN HK Shares") for a total purchase consideration of approximately RM145,896 to be satisfied by the issuance of 583,580 new DXN Shares at par. As part of the Acquisition of DXN HK, 2,499,999 DXN HK Shares were transferred to DIH, DXN's wholly-owned subsidiary while 1 DXN HK Share is held by DXN in trust for DIH. DIH still effectively holds the entire equity interest in DXN IIK upon completion of the Acquisition of DXN HK;

iv. Acquisition of DXN (Singapore) Pte Ltd ("DXN Singapore")

Acquisition of the entire issued and fully paid-up share capital of DXN Singapore comprising 2 ordinary shares of SGD1.00 each ("DXN Singapore Shares") for a total purchase consideration of approximately RM291,870 to be satisfied by issuance of 1,167,470 new DXN Shares at par. As part of the Acquisition of DXN Singapore, the DXN Singapore Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding the entire equity interest in DXN Singapore upon completion of the Acquisition of DXN Singapore;

v. Acquisition of DXN International (Thailand) Co. Ltd ("DXN Thailand")

Acquisition of 36.75% of the issued and fully paid-up share capital of DXN Thailand comprising 73,500 ordinary shares of Baht100 each ("DXN Thailand Shares") for a total purchase consideration of approximately RM106,950 to be satisfied by the issuance of 427,800 DXN Shares at par. As part of the Acquisition of DXN Thailand, the DXN Thailand Shares were transferred to DIH, DXN's wholly-owned subsidiary, resulting in DIH holding 36.75% equity interest in DXN Thailand upon completion of the Acquisition of DXN Thailand.

The purchase consideration is based on the audited net tangible assets/consolidated net tangible assets ("NTA") of the respective companies as at 28 February 2002.

The excess of NTA of the respective companies as at 28 February 2003 over the purchase consideration amounting to RM7,489,000 is classified as negative goodwill.

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes



- Transfers
 - i. Transfer of DXN (Cyprus) Limited (“DXN Cyprus”)

Transfer of the entire issued and fully paid-up share capital of DXN Cyprus comprising 10,000 ordinary shares of CYP1.00 each held by DXN to DIH, its wholly-owned subsidiary, to be satisfied via intercompany advances;
 - ii. Transfer of DXN International (UK) Limited (“DXN UK”)

Transfer of the entire issued and fully paid-up share capital of DXN UK comprising 1,000 ordinary shares of £1.00 each held by DXN to DIH, its wholly-owned subsidiary, to be satisfied via intercompany advances;
 - iii. Transfer of Daehsan (South Africa) (Proprietary) Limited (“DXN SA”)

Transfer of the entire issued and fully paid-up share capital of DXN SA comprising 100 ordinary shares of Rand1.00 each held by DXN to DIH, its wholly-owned subsidiary, to be satisfied via intercompany advances.

Proforma IV

Proforma IV incorporates the effect of Proforma I, II, III and the following:

- Rights issue of 89,331,000 new DXN Shares at par on the basis of approximately 6.35 new DXN Shares for every 10 existing DXN Shares held after the Acquisitions (“Rights Issue”).

Proforma V

Proforma V incorporates the effect of Proforma I, II, III, IV and the following:

- Offer for sale of 47,600,000 DXN Shares of which 12,000,000 DXN Shares will be allocated to Bumiputera investors approved by MITI and 35,600,000 DXN Shares will be made available for application by Malaysian investors whereby attempt will be made to allocate 30% of the Offer Shares to Bumiputera investors;

Proforma VI

Proforma VI incorporates the effect of Proforma I, II, III, IV, V and the following:

- Public issue of 10,000,000 new DXN Shares of which 1,200,000 new DXN Shares will be made available for application by the Malaysian public and 8,800,000 new DXN Shares will be reserved for application by the eligible Directors and employees, the registered distributors in Malaysia and the suppliers of DXN and its subsidiaries (“Public Issue”).

IX. FINANCIAL INFORMATION (CONT'D)

For Identification Purposes

**Proforma VII**

Proforma VII incorporates the effect of Proforma I, II, III, IV, V, VI and the following:

The gross proceeds arising from the Rights Issue and Public Issue amounting to RM22.333 million and RM6.300 million respectively are expected to be fully utilised by the Group for its core business by the end of year 2004 in the following manner:

	RM 000
Repayment of bank borrowings	5,654
Acquisition of DXN's corporate headquarters	3,000
Construction of DXN Industries (M) Sdn Bhd's factory building	3,500
Acquisition of plant and machinery	1,000
Working capital	12,979
Estimated listing expenses	2,500
	28,633

The listing expenses estimated at RM2,500,000 will be set off against the share premium account.

Proforma VIII

Proforma VIII is stated after incorporating the effect of Proforma I, II, III, IV, V, VI, VII and the exercise of 24,000,000 options under the Executive Share Option Scheme ("ESOS"), being the 10% of the enlarged share capital, at an assumed exercise price of RM0.63 each.

The proceeds from the ESOS will be utilised for the Group's working capital.

The movements of the issued and paid-up share capital and the share premium account of DXN after taking into account the above transactions are as follows:

	Share Capital RM'000	Share Premium RM'000
Balance as at 28 February 2003	375	-
Bonus Issue	30,500	-
After Bonus Issue	30,875	-
Shares issued pursuant to the Acquisitions	4,292	-
After Bonus Issue, Acquisitions and Transfers	35,167	-
Shares issued pursuant to the Rights Issue	22,333	-
After Bonus Issue, Acquisitions, Transfers and Rights Issue	57,500	-
Shares issued pursuant to the Public Issue	2,500	3,800
Less : Estimated listing expenses	-	(2,500)
ESOS	6,000	9,120
After Bonus Issue, Acquisitions, Transfers, Rights Issue, Public Issue and ESOS	66,000	10,420