(Prepared for inclusion in the Prospectus)

MOORE STEPHENS
CHARTERED ACCOUNTANTS
(FIRM NO: AF.0282)

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ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

Date: 24 June 2005

The Board of Directors
CNI HOLDINGS BERHAD
Mezzanine Floor
No. 8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

A. INTRODUCTION

This report has been prepared by Moore Stephens, an approved company auditor, for inclusion in the Prospectus of CNI Holdings Berhad ("CNI" or "Company") in connection with the followings:-

(i) Offer for sale of 83,892,900 ordinary shares of RM0.10 each ("Share") at an offer price of RM0.90 per Share payable in full upon application comprising:

- 19,892,900 Shares available for application by eligible directors, employees, distributors and persons who have contributed to the success of CNI and its subsidiary companies ("CNI Group" or the "Group");
- 34,000,000 Shares offered to identified investors by way of private placement; and
- 30,000,000 Shares available for application to the Malaysian public.

(ii) Offer for sale of 7,107,100 Shares to eligible directors and employees of the Group via an employee equity scheme of which the strike price is on a step-up basis starting with a price equivalent to the Offer Price of RM0.90 per Share,

in conjunction with the listing of CNI on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

B. FLOTATION SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Board of the Bursa Securities, the Company undertook the following flotation scheme which was approved by the relevant authorities:-

(i) Revaluation of CNI's entire investment in its subsidiary companies based on their respective net book value and the incorporation of the revaluation surpluses thereon into the financial statements of CNI. ("Incorporation of Revaluation Surplus") The Incorporation of Revaluation was effected in the financial statements for the year ended 31 December 2004.

(ii) Subdivision of all the existing 2,697,000 ordinary shares of RM1.00 each in CNI into 26,970,000 Shares ("Share Split"). The Share Split was completed on 1 June 2005.

(iii) Bonus issue of 573,030,000 new Shares in CNI, credited as fully paid-up, on the basis of 57,303 new Shares for every 2,697 Shares held in CNI on a date to be determined later ("Bonus Issue") by capitalisation of the following reserves in CNI: -

	RM
Revaluation reserves	48,925,246
Share premium	4,205,300
Retained profits	4,172,454
	57,303,000

The Bonus Issue was completed on 2 June 2005.

(iv) Offer for sale of 83,892,900 Shares in CNI by its participating shareholders to eligible directors, employees, distributors, persons who have contributed to the success of the Group, identified investors and the Malaysian public, and offer for sale of 7,107,100 Shares in CNI by its participating shareholders to eligible directors and employees of the Group, via an employee equity scheme.

(v) Admission of CNI to the Official List of the Bursa Securities and the listing of and quotation for the entire issued and paid-up share capital of CNI on the Main Board of Bursa Securities.

C. GENERAL INFORMATION

(i) Background

CNI was incorporated in Malaysia on 3 May 1989 as a private limited company under the name of Homca Chemical Sdn. Bhd.. The Company changed its name to Forever Young Holdings Sdn. Bhd. on 29 January 1991. On 4 September 2002, the Company changed its name to CNI Holdings Sdn. Bhd. and was converted into a public limited company under the present name on 24 February 2004.

(ii) Principal Activity

The Company is principally engaged in the business as an investment holding company and the provision of management services. The principal activities of the subsidiary companies are disclosed in Section (iv) below.

(iii) Share Capital

The authorised share capital of the Company is RM100,000,000 comprising 1,000,000,000 Shares.

The changes in the issued and paid-up share capital of the Company since its incorporation are as follows: -

Date of Allotment	No. of Ordinary Shares of RM1.00 each Allotted	No. of Ordinary Shares of RM0.10 each Allotted	Consideration/Type of Issue (at par unless otherwise stated)	Total Issued and Paid-Up Share Capital RM
3 May 1989	2	-	Subscribers' shares	2
15 July 1991	119,998	-	Cash	120,000
27 February 1992	360,000	-	Cash	480,000
8 February 1995	1,920,000	-	Bonus issue of four (4) new ordinary shares for every one (1) existing ordinary share of RM1.00 each held via capitalisation of retained profits	2,400,000

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Date of Allotment	No. of Ordinary Shares of RM1.00 each Allotted	No. of Ordinary Shares of RM0.10 each Allotted	Consideration/Type of Issue (at par unless otherwise stated)	Total Issued and Paid-Up Share Capital RM
9 April 2003	117,500	-	Restricted issue to third party at RM5.00 per share for cash	2,517,500
11 April 2003	149,000	-	Issued at RM30.20 per share for acquisition of the remaining 49% equity interest in Exclusive Mark (M) Sdn. Bhd.	2,666,500
11 April 2003	30,500	-	Issued at RM30.00 per share for acquisition of the remaining 49% equity interest in Q-Pack (M) Sdn. Bhd.	2,697,000
1 June 2005	-	26,970,000	Subdivision of ordinary shares of RM1.00 each into ordinary shares of RM0.10 each	2,697,000
2 June 2005	-	573,030,000	Bonus issue of 57,303 new Shares for every 2,697 Shares held via capitalisation of RM48,925,246, RM4,205,300 and RM4,172,454 from revaluation reserves, share premium and retained profits respectively	60,000,000

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(iv) **Subsidiary Companies And Associated Company**

The information on the Company's subsidiary companies as at the date of this report is as follow:-

Name/ Country of incorporation	Date of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital	Par Value	Effective Equity Interest	Principal Activities
CNI Enterprise (M) Sdn. Bhd. ("CNIE") Malaysia	28 April 1987	RM25,000,000	RM18,000,000	RM1	100%	Multi-level marketing of healthcare and consumer products.
Exclusive Mark (M) Sdn. Bhd. ("EM") Malaysia	6 February 1991	RM25,000,000	RM9,183,825	RM1	100%	Manufacturing, trading and packaging of all kind of foodstuffs and beverages.
Q-Pack (M) Sdn. Bhd. ("Q-Pack") Malaysia	21 December 1992	RM500,000	RM300,000	RM1	100%	Manufacturing, trading and packaging of household and personal care products.
Creative Network International (S) Pte. Ltd. ("CNIS") Singapore	15 July 1992	S$100,000	S$100,000	S$1	(1) 100%	Multi-level marketing of healthcare and consumer products.

(1) *Indirect interest held through CNIE.*

As at the date of this report, CNI does not have any associated company.

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D. DIVIDENDS

Details of dividends paid or declared by the Group for the financial years/period under review are as follows: -

Name of Company	Period of Financial Statements	Date of Declaration	Date of Payment	Entitled Issued and Paid-up Share Capital RM	Gross Dividend Per Share %	Tax Rate %	Net Dividend Per Share RM	Aggregate Dividend Paid RM
CNI	Year ended 30 June 2002	1 June 2002	10 July 2002	2,400,000	2,175.00	28	15.6600	37,584,000
	Year ended 30 June 2003	11 March 2003	6 November 2003	2,400,000	28.00	28	0.2016	483,840
	Year ended 30 June 2003	11 March 2003	6 November 2003	2,400,000	219.84	Tax Exempt	2.1984	5,276,160
	Period ended 31 December 2003	31 December 2003	14 May 2004	2,697,000	1,006.94	28	7.2500	19,553,250
	Year ended 31 December 2004	31 December 2004	29 April 2005	2,697,000	2,180.00	28	15.6960	42,332,112
CNIE	Year ended 30 June 2002	1 June 2002	3 July 2002	18,000,000	290.00	28	2.088	37,584,000
	Year ended 30 June 2003	11 March 2003	3 November 2003	18,000,000	17.50	Tax Exempt	0.1750	3,150,000
	Period ended 31 December 2003	31 December 2003	14 May 2004	18,000,000	123.61	28	0.8900	16,020,000
	Year ended 31 December 2004	31 December 2004	29 April 2005	18,000,000	258.00	28	1.8576	33,436,800
EM	Year ended 30 June 2003	11 March 2003	3 November 2003	9,183,825	93.53	28	0.6734	6,184,779
	Year ended 30 June 2003	11 March 2003	3 November 2003	9,183,825	47.00	Tax Exempt	0.4700	4,316,398
	Period ended 31 December 2003	31 December 2003	14 May 2004	9,183,825	55.56	28	0.4000	3,673,530
	Year ended 31 December 2004	31 December 2004	29 April 2005	9,183,825	148.00	28	1.0656	9,786,284
Q-Pack	Year ended 30 June 2003	11 March 2003	3 November 2003	300,000	414.29	28	2.9829	894,857
	Year ended 31 December 2004	31 December 2004	29 April 2005	300,000	100.00	28	0.7200	216,000

The Group did not have any fixed dividend payment policy for all the financial years/period under review.

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E. FINANCIAL STATEMENTS AND AUDITORS

The auditors for the financial years/period under review and the audited financial statements in respect of which the financial information set out in this report are based upon are as follows: -

Subsidiary company	Period of financial statements	Auditors
CNI	Three (3) financial years ended 30 June 2002	Messrs. Lok Sam Wah & Co.
	Financial year ended 30 June 2003	Messrs. Moore Stephens
	Financial period ended 31 December 2003	Messrs. Moore Stephens
	Financial year ended 31 December 2004	Messrs. Moore Stephens
CNIE	Three (3) financial years ended 30 June 2002	Messrs. Lok Sam Wah & Co.
	Financial year ended 30 June 2003	Messrs. Moore Stephens
	Financial period ended 31 December 2003	Messrs. Moore Stephens
	Financial year ended 31 December 2004	Messrs. Moore Stephens
EM	Three (3) financial years ended 30 June 2002	Messrs. Thiang & Co.
	Financial year ended 30 June 2003	Messrs. Moore Stephens
	Financial period ended 31 December 2003	Messrs. Moore Stephens
	Financial year ended 31 December 2004	Messrs. Moore Stephens
Q-Pack	Three (3) financial years ended 30 June 2002	Messrs. Lok Sam Wah & Co.
	Financial year ended 30 June 2003	Messrs. Moore Stephens
	Financial period ended 31 December 2003	Messrs. Moore Stephens
	Financial year ended 31 December 2004	Messrs. Moore Stephens
CNIS	Three (3) financial years ended 30 June 2002	Messrs. Chua Swee Ming & Co.
	Financial year ended 30 June 2003	Messrs. Moore Stephens, an associate firm in Singapore
	Financial period ended 31 December 2003	Messrs. Moore Stephens, an associate firm in Singapore
	Financial year ended 31 December 2004	Messrs. Moore Stephens, an associate firm in Singapore

The auditors' reports on all the above mentioned financial statements were not subject to any reservation or qualification.

F. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

The financial information in this report is prepared based on accounting basis and policies consistent with those previously adopted in the preparation of the audited financial statements of CNI and its subsidiary companies and complied with applicable approved accounting standards in Malaysia issued by the Malaysian Accounting Standards Board.

The basis of accounting and the summary of significant accounting policies are as follows: -

1. BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements incorporated the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits and losses (unless cost cannot be recovered) are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement based on the acquisition method of consolidation from the effective date of acquisition or up to the effective date of disposal respectively. The assets and liabilities of a subsidiary company are measured at their fair values at the effective date of acquisition and these values are reflected in the consolidated balance sheet.

(b) Subsidiary Companies

A subsidiary company is an enterprise in which the Group has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost or revalued amount less accumulated impairment losses, if any, in the Company's financial statements. Impairment loss is determined on individual basis.

Investment in subsidiary companies shall be revalued at a regular interval of at least once in every 5 years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiary companies.

A surplus arising therefrom is credited to investment revaluation reserve. However, a surplus will be recognised as revenue to the extent that it reverses a revaluation deficit of the same investment previously recognised as an expense. A deficit arising therefrom is recognised as an expense. However, a deficit will be set-off against any related revaluation surplus to the extent that the deficit does not exceed the amount held in investment revaluation reserve in respect of the same investment.

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Gain or losses arising from the disposal of an investment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the investment, and is recognised in the income statements. On disposal of revalued investments, the amounts in revaluation reserve account relating to the investments disposed are transferred to retained profit account.

(c) Goodwill or Reserve On Consolidation

Goodwill or reserve on consolidation arising from acquisition of subsidiary companies represents the difference between the consideration paid for the shares in the subsidiary companies and the fair values attributable to the identifiable assets and liabilities of the subsidiary companies at the effective date of their acquisition.

Goodwill is retained in the consolidated financial statements at cost less accumulated impairment losses, if any. Reserve on consolidation is not amortised.

Upon disposal of interest in the subsidiary company, the related goodwill or reserve on consolidation will be included in the computation of gain or loss on disposal of interest in the subsidiary company in the consolidated income statement.

(d) Investment Properties

Investment properties consist of land and buildings held for long term purposes for their investment potential and rental revenue. Investment properties are stated at cost less accumulated impairment losses, if any, and are not depreciated.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and all other property, plant and equipment are depreciated on the straight line method to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are: -

Leasehold land	Over remaining lease period of 46 years
Buildings	2%
Plant, machinery and lab equipment	10%
Motor vehicles	10% - 15%
Office equipment, furniture and fittings	10%
Renovation and electrical fittings	10%

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Gain or loss arising from the disposal of a property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the property, plant and equipment and is recognised in the income statement.

(f) Capital Work-In-Progress

Capital work-in-progress is stated at cost and includes borrowing costs incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(g) Impairment of Assets

The carrying amounts of assets other than inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of net selling price and the value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as an expense in the income statement.

Reversal of impairment loss due to a subsequent increase in recoverable amount is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the weighted average or first-in-first-out basis. Cost includes the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, it also includes a portion of labour and relevant production overheads.

In arriving at the net realisable value, due allowance would be made for all obsolete and slow-moving items.

(i) Hire Purchase

Hire purchase instalment plans are agreements whereby the lender conveys to the hirer, in return for a series of instalment payments, the rights to use the assets involved with an option for hirer to purchase the assets upon full settlement of the instalment payments.

Costs of property, plant and equipment acquired under the hire purchase instalment plans are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The related finance charges are allocated to the income statement over the period of the instalment plans based on the sum-of-digit method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The total outstanding instalment payments after deducting the future finance charges, representing the present value of hire purchase liabilities, are included in creditors.

(j) **Foreign Currencies**

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the time of the transaction and where settlement had not taken place by year end, at the approximate rate ruling as at that date. All gains and losses on exchange are included in the income statement.

(ii) Translation of foreign currency financial statements

Assets, liabilities and reserves of foreign subsidiary companies are translated into Ringgit Malaysia at the rates of exchange as at the financial year end. Income statement items are translated at the average rate of exchange for the year. The translation differences arising therefrom are recorded as movement in translation reserve. Upon disposal of a foreign subsidiary company, the cumulative amount of translation differences at the date of its disposal of the subsidiary company is taken to the consolidated income statement.

The principal exchange rates (denominated in units of Ringgit Malaysia per foreign currency) used in translating foreign currency amounts for the financial years/period under review are as follows: -

	< - Financial Years Ended 30 June - >				< - Financial Period/Year Ended 31 December >	
	2000	**2001**	**2002**	**2003**	**2003**	**2004**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Year End Rate						
United State Dollars	3.8000	3.8000	3.8000	3.8000	3.8000	3.7825
Singapore Dollar	2.1780	2.0702	2.1520	2.1615	2.2293	2.3258
Thai Baht	-	-	-	0.0898	-	-
Hong Kong Dollar	-	0.4871	0.4871	-	0.4839	0.4852
Chinese Renminbi	-	0.4587	0.4587	-	-	-
Japanese Yen	-	-	-	-	0.0355	0.0363
Average Rate						
United State Dollars	3.8000	3.8000	3.8000	3.8000	3.8000	3.7913
Singapore Dollar	2.1992	2.1241	2.1111	2.1636	2.1899	2.2776
Thai Baht	-	-	-	0.1130	-	-
Hong Kong Dollar	-	0.4871	0.4871	-	0.4902	0.4846
Chinese Renminbi	-	0.4587	0.4587	-	-	-
Japanese Yen	-	-	-	-	0.0322	0.0359

(k) **Taxation**

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

Deferred tax is provided using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

(l) Employee Benefits

i. **Short Term Employee Benefits**

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when the services are rendered by the employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

ii. **Defined Contribution Plans**

As required by law, companies in Malaysia make contribution to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(m) Revenue Recognition

Revenue from sales of goods is recognised when goods are delivered.

Interest revenue is recognised on time proportion basis that reflects the effective yield of the asset.

Dividend revenue from investment is recognised when the right to receive the dividend is established.

Rental revenue is recognised on receivables basis.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

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(o) Retirement Benefit Plans

The Group operates an unfunded defined benefit plans for eligible directors as provided in the service contract agreements between the companies in the CNI Group and their directors.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees would have earned in return for their service in the current and prior years, that benefit is discounted to determine the present value and the fair value of any assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds.

The calculation is performed by an actuary using the projected unit credit method. In the intervening years, the calculation may be updated by the actuary based on approximations unless material changes in demographics or business processes have been identified that would cause doubt in the application of approximations, in which case detailed analysis would be necessary at the interim date. The most recent review was performed in December, 2004.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

(p) Provision for Liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(q) Capitalisation of Borrowings Costs

Borrowings costs in respect of expenditure incurred on acquisition of property, plant and equipment is capitalised during the period when activities to plan, develop and construct these assets are undertaken. Capitalisation of borrowing costs ceases when the property, plant and equipment are ready for their intended use or sale.

(r) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, losses and gains relating to financial instruments classified as assets or liabilities are reported as expense or revenue. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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The recognised financial instruments comprise cash and cash equivalents, pledged cash deposits, trade and other receivables, trade and other payables, hire purchase payables, interest bearing bank borrowings and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments are financial guarantees given to subsidiary companies. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable.

i) Cash Deposits with Licensed Banks

Cash deposits with licensed banks are stated at cost.

ii) Receivables

Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection.

iii) Payables

Payables are stated at cost which is the fair values of considerations to be paid in the future for goods and services received.

iv) Interest Bearing Bank Borrowings

The interest bearing bank borrowings include term loans, suppliers credit financing scheme and bank overdrafts are stated at the amount of proceeds received, net of transaction costs.

v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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G. INCOME STATEMENTS

Until 22 December 2003, the Company's financial year ended on 30 June of each year. The Company subsequently changed its financial year end to 31 December of each year, beginning with the six (6) months financial period ended 31 December 2003. We set out below the audited income statements of CNI (company level only) for the past four (4) financial years ended 30 June 2003, the six (6) months financial period ended 31 December 2003 and the financial year ended 31 December 2004 and the proforma consolidated income statements of the Group for the past four (4) financial years ended 30 June 2003 and the audited consolidated income statements of the Group for the six (6) months financial period ended 31 December 2003 and the financial year ended 31 December 2004. The proforma consolidated income statements for the past four (4) financial years ended 30 June 2003 have been prepared based on the audited income statements of CNI, CNIE, EM, Q-Pack and CNIS for the same financial years and on the basis of assumption that the current structure of the CNI Group has been in existence throughout those financial years/period under review.

We also set out below the audited income statements of the following subsidiary companies: -

(i) CNIE for the past four (4) financial years ended 30 June 2003, the six (6) months financial period ended 31 December 2003 and the financial year ended 31 December 2004;

(ii) EM for the past four (4) financial years ended 30 June 2003, the six (6) months financial period ended 31 December 2003 and the financial year ended 31 December 2004;

(iii) Q-Pack for the past four (4) financial years ended 30 June 2003, the six (6) months financial period ended 31 December 2003 and the financial year ended 31 December 2004; and

(iv) CNIS for the past four (4) financial years ended 30 June 2003, the six (6) months financial period ended 31 December 2003 and the financial year ended 31 December 2004.

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1. CNI – company level

	< --------Financial Years Ended 30 June ------ >				6-month Financial Period Ended 31 December	Financial Year Ended 31 December
	(1) 2000 RM'000	(1) 2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000	2004 RM'000
Operating revenue	(2) 216	(2) 322	52,554	10,711	27,513	61,920
Cost of sales	(2) (181)	(2) (166)	(138)	(149)	(61)	(140)
Gross (loss)/profit	(2) 35	(2) 156	52,416	10,562	27,452	61,780
Other operating revenue	(2) -	(2) 3,910	10	-	-	10
Administrative costs	(3) (103)	(3) (73)	(83)	(66)	(69)	(1,703)
Other operating costs	(3) (26)	(3) (17)	(68)	(31)	(3)	(3)
	(129)	(90)	(151)	(97)	(72)	(1,706)
(Loss)/Profit from operations	(94)	3,976	52,275	10,465	27,380	60,084
Finance costs	(470)	(370)	(165)	(26)	(12)	(21)
(Loss)/Profit before taxation	(564)	3,606	52,110	10,439	27,368	60,063
Taxation	-	-	(14,308)	(1,670)	(7,793)	(16,896)
(Loss)/Profit after taxation	(564)	3,606	37,802	8,769	19,575	43,167

(Loss)/Profit before taxation is analysed as follows: -

(Loss)/Profit before depreciation, interest expense and exceptional items	(74)	55	52,308	10,448	27,370	60,065
Depreciation	(4)	(2)	(2)	(2)	(1)	(2)
Interest expense	(462)	(356)	(146)	(4)	(1)	-
Exceptional items	(24)	3,909	(50)	(3)	-	-
(Loss)/Profit before taxation	(564)	3,606	52,110	10,439	27,368	60,063
Weighted average number of ordinary shares in issue ('000)	2,400	2,400	2,400	(4)(5) 2,467	2,697	2,697
Gross (loss)/earnings per share (RM)	(0.24)	1.50	21.71	4.23	(6) 10.15	22.27
Net (loss)/earnings per share (RM)	(0.24)	1.50	15.75	3.55	(6) 7.26	16.01
(Loss) before taxation margin ("(LBT) Margin")/Profit before taxation margin ("PBT Margin") (%)	(261)	1,120	99	97	99	97
Effective tax rate (%)	-	-	27	16	28	28
Gross dividend rate (%)	-	-	2,175.00	247.84	1,006.94	2,180.00

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(1) *The exceptional items which have been disclosed as a separate component in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified to the functional revenue and/or costs to which they relate in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. These reclassifications have no effect on the gross profit and profit before taxation as shown in the audited income statement for the said financial years.*

(2) *The rental revenue and incidental expenses relating to the properties of CNI which were previously included in other operating revenue and property operation costs respectively in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified into operating revenue and cost of sales respectively in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. The net effects of these reclassifications on the operating revenue, cost of sales, gross profit margin and the other operating revenue are as follows: -*

	<-Financial Year Ended 30 June->	
	2000	*2001*
	RM'000	*RM'000*
Operating revenue		
As per audited financial statements	-	-
Add: rental revenue	*216*	*322*
As adjusted	*216*	*322*
Cost of sales		
As per audited financial statements	-	-
Add: property operation costs	*(181)*	*(166)*
As adjusted	*(181)*	*(166)*
Gross profit		
As per audited financial statements	-	-
Add: net loss/profit from rental revenue	*35*	*156*
As adjusted	*35*	*156*
Other operating revenue		
As per audited financial statements	*216*	*323*
Less: rental revenue	*(216)*	*(322)*
Add: exceptional item	-	*3,909*
As adjusted	-	*3,910*

(3) *Certain expenses which have been previously classified under administrative costs in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified to other operating costs in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. These reclassifications have no effect in determination of the profit from operations and profit before taxation.*

(4) *Number of shares has been pro-rated on time basis to account for allotment of 117,500 new ordinary shares of RM1.00 each at an issue price of RM5.00 per share for cash on 9 April 2003.*

(5) *Number of shares has been pro-rated on time basis to account for allotment of 149,000 new ordinary shares of RM1.00 each at an issue price of RM30.20 per share and 30,500 new ordinary shares of RM1.00 each at an issue price of RM30.00 per share on 11 April 2003 for acquisition of remaining 49% equity interest in EM and Q-Pack respectively.*

(6) *On the annualised basis, the gross earnings per share is RM20.30 and the net earnings per share is RM14.52.*

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Notes: -

(a) *Where figures for an item in the audited income statement had been reclassified when presented as comparative for the following year's audited income statement, the reclassified figures are used for the preparation of the above income statements.*

(b) *There was no extraordinary item as defined in the Malaysian Accounting Standards Board's Financial Reporting Standard 108 (previously known as MASB 3) on "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" ("FRS 108") for all the financial years/period under review.*

(c) *The exceptional items for the financial year ended 30 June 2000 were in respect of losses arising from disposal of a real estate property and two (2) subsidiary companies.*

The exceptional item for the financial year ended 30 June 2001 was in respect of net gain on disposal of a real estate property.

The exceptional item for the financial year ended 30 June 2002 was in respect of loss on disposal of unquoted shares.

The exceptional item for the financial year ended 30 June 2003 was in respect of loss on disposal of a subsidiary company.

(d) *The increase in total operating revenue for the financial year ended 30 June 2000 as compared to the total operating revenue of RM36,734 for the financial year ended 30 June 1999 was mainly due to an increase in number of tenants for its real estate properties.*

The increase in total operating revenue for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to full year rental revenue from real estate properties let out in previous financial year and an increase in number of tenants for its real estate properties.

The significant increase in total operating revenue for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to inclusion of gross interim dividend from CNIE.

The decrease in total operating revenue for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to lower dividend revenue from CNIE.

The significant increase in annualised total operating revenue of RM55.026 million for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to higher gross interim dividend from CNIE.

The increase in total operating revenue for the financial year ended 31 December 2004 as compared to the annualised total operating revenue of RM55.026 million for the 6-month financial period ended 31 December 2003 was mainly due to higher gross interim dividends from its subsidiary companies and advent of management fees charged to its subsidiary companies.

(e) *The significant decrease in LBT Margin of 261% for the financial year ended 30 June 2000 as compared to the LBT Margin of 7,797% for financial year ended 30 June1999 was mainly due to higher rental revenue and the absence of bad debts written off and loss on disposal of subsidiary companies.*

The turnaround from a loss before taxation for the financial year ended 30 June 2000 to a profit before taxation for the financial year ended 30 June 2001 was mainly due to an exceptional net gain on disposal of a real estate property.

The significant decrease in PBT Margin for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to the absence of an exceptional net gain on disposal of a real estate property and the dilution effect from the gross dividend revenue which was included in the total operating revenue.

The decrease in PBT Margin for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to higher operating expenses incurred for maintenance of its real estate properties.

The increase in PBT Margin for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to higher gross dividend revenue.

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The decrease in PBT Margin for the financial year ended 31 December 2004 as compared to the 6-month financial period ended 31 December 2003 was mainly due to the significant increase in administrative costs arising from inclusion of incentives of two directors of the company. In previous financial years/period, the incentives of these directors were drawn from the subsidiary companies.

(f) *There was no provision for taxation for the financial year ended 30 June 2000 in view of losses suffered by the Company.*

There was no provision for taxation for the financial year ended 30 June 2001 in view of losses suffered by the property rental activities and that the real property gain tax on the exceptional gain on disposal of a real estate property of RM205,737 had been presented as a deduction to arrive at the net gain of RM3,909,002.

The lower effective tax rate applicable to the financial year ended 30 June 2002 was mainly due to under provision for taxation on dividend revenue from CNIE during the financial year.

The lower effective tax rate applicable to the financial year ended 30 June 2003 was mainly due to the tax exempt dividends revenue from CNIE and EM.

There was no difference between the effective tax rate and the statutory tax rate for the 6-month financial period ended 31 December 2003 and the financial year ended 31 December 2004.

(g) *The dividends declared by CNI during the financial years/period under review can be referred to in paragraph D.*

(h) *The gross (loss)/earnings per share is computed based on the (loss)/earnings before taxation divided by the weighted average number of ordinary shares in issue during the financial years/period.*

(i) *The net (loss)/earnings per share is computed based on the (loss)/earnings after taxation divided by the weighted average number of ordinary shares in issue during the financial years/period.*

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2. CNI Group

	< Proforma			>	< Audited	>
	< Financial Years Ended 30 June			>	6-month Financial Period Ended 31 December	Financial Year Ended 31 December
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000	2004 RM'000
Operating revenue	78,315	99,617	180,160	224,586	122,914	259,999
Cost of sales	(29,842)	(36,481)	(58,442)	(69,976)	(36,412)	(74,872)
Gross profit	48,473	63,136	121,718	154,610	86,502	185,127
Other operating revenue	1,446	4,995	1,488	2,752	1,967	4,005
Selling and distribution costs	(34,333)	(40,952)	(67,669)	(85,356)	(47,068)	(103,221)
Administrative costs	(6,170)	(6,413)	(9,423)	(23,687)	(12,574)	(25,188)
Other operating costs	(417)	(679)	(4,180)	(663)	(257)	(359)
	(40,920)	(48,044)	(81,272)	(109,706)	(59,899)	(128,768)
Profit from operations	8,999	20,087	41,934	47,656	28,570	60,364
Finance costs	(3,013)	(2,518)	(1,076)	(1,024)	(575)	(920)
Profit before taxation	5,986	17,569	40,858	46,632	27,995	59,444
Taxation	(1,687)	(4,429)	(12,964)	(12,737)	(7,916)	(16,988)
Profit after taxation	4,299	13,140	27,894	33,895	20,079	42,456

Profit before taxation is analysed as follows: -

Profit before depreciation, interest expense and exceptional items	10,422	18,151	43,904	50,074	29,816	63,381
Depreciation	(2,104)	(2,294)	(2,569)	(3,143)	(1,656)	(3,830)
Interest expense	(2,786)	(2,197)	(427)	(296)	(165)	(107)
Exceptional items	454	3,909	(50)	(3)	-	-
Profit before taxation	5,986	17,569	40,858	46,632	27,995	59,444
Enlarged number of ordinary shares in issue [1]	600,000	600,000	600,000	600,000	600,000	600,000
Gross earnings per share (sen)	1.00	2.93	6.81	7.77	[6] 4.67	9.91
Net earnings per share (sen)	0.72	2.19	4.65	5.65	[6] 3.35	7.08
PBT Margin (%)	8	18	23	21	23	23
Effective tax rate (%)	28	25	32	27	28	29
Gross dividend rate (%)	-	-	[2] 2,175.00	[3] 247.84	[4] 1,006.94	[5] 2,180.00

(1) *Based on number of ordinary shares of RM0.10 each in CNI.*

(2) *This represents an interim dividend of 2,175% less income tax at 28.00% amounted to RM37,584,000 based on 2,400,000 ordinary shares of RM1 each in CNI for the financial year ended 30 June 2002.*

(3) *This comprise an interim dividend of 28.00% less income tax at 28.00% and a tax exempt dividend of 219.84% (based on the issued and paid-up share capital of 2,400,000 ordinary shares of RM1.00 each at book closure date on 11 March 2003) amounted to RM483,840 and RM5,276,160 respectively for the financial year ended 30 June 2003.*

(4) *This comprise an interim dividend of 1,006.9445% less income tax at 28.00% (based on the issued and paid-up share capital of 2,697,000 ordinary shares of RM1.00 each at book closure date on 31 December 2003) amounted to RM19,553,250 for the 6-month financial period ended 31 December 2003.*

(5) *This comprise an interim dividend of 2,180.00% less income tax at 28.00% (based on the issued and paid-up share capital of 2,697,000 ordinary shares of RM1.00 each at book closure date on 31 December 2004) amounted to RM42,332,112 for the financial year ended 31 December 2004.*

(6) *On the annualised basis, the gross earnings per share is 9.33 sen and the net earnings per share is 6.69 sen.*

Notes: -

(a) *The current structure of the CNI Group was formed during the financial year ended 30 June 2003. The proforma consolidated income statements, which have been prepared for illustrative purposes to show the aggregate results of the Group, are based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the Group and on the assumption that the current structure of the CNI Group existed throughout the financial years/period under review.*

(b) *The proforma consolidated income statements for the past four (4) financial years ended 30 June 2003 are prepared based on the audited income statements of CNI, CNIE, EM, Q-Pack and CNIS for the past four (4) financial years ended 30 June 2003, on the assumption that the existing group structure of CNI existed throughout the said financial years.*

(c) *Where figures for an item in the audited income statement had been reclassified when presented as comparative for the following year's audited income statement, the reclassified figures are used for the preparation of the proforma consolidated income statements.*

(d) *The expenses in the audited profit and loss accounts of CNIS for the financial years ended 30 June 2000 and 2001 have been re-presented in accordance with their function within the enterprise so as to conform with the presentation of the audited profit and loss accounts of CNIS for the latest financial year ended 31 December 2004.*

(e) *Certain revenue and expenses in the audited income statements of CNI, CNIE, EM and Q-Pack for the financial years ended 30 June 2000 and 2001 have been reclassified in order to conform with the classifications in the latest audited income statements of these companies for the financial year ended 31 December 2004. The details of these reclassifications can be referred to in paragraph G item 1, 3, 4 and 5 respectively.*

(f) *All significant inter-company transactions have been eliminated from the proforma consolidated income statements.*

(g) *There was no extraordinary item as defined in FRS 108 for all the financial years/period under review.*

(h) *The exceptional items for the financial year ended 30 June 2000 were in respect of losses arising from disposal of a real estate property and two (2) subsidiary companies by CNI and gain on disposal of leasehold land and building by CNIE.*

The exceptional item for the financial year ended 30 June 2001 was in respect of net gain on disposal of a real estate property by CNI.

The exceptional item for the financial year ended 30 June 2002 was in respect of loss on disposal of unquoted shares by CNI.

The exceptional item for the financial year ended 30 June 2003 was in respect of loss on disposal of a subsidiary company by CNI.

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(i) The past performances of the CNI Group were mainly centered on the multi-level marketing of healthcare and consumer products operated by CNIE with the other subsidiary companies involving in manufacturing and marketing to support this operation.

The increase in total operating revenue for the financial year ended 30 June 2000 as compared to the total operating revenue of RM62.759 million for the financial year ended 30 June 1999 was mainly due to an increase in demand from CNIE's existing distributors amidst the recovery in the Malaysian economy, an increase in the number of distributors and the introduction of a new beverage product namely CNI Tongkat Ali Ginseng Coffee.

The increase in total operating revenue for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to the continued increase in the number of distributors, an increase in marketing efforts by CNIE and the introduction of a new nutritional care product namely Life Enzyme.

The significant increase in total operating revenue for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to a significant increase in the number of distributors, the continued increased in marketing efforts by CNIE, enhancement of marketing strategy by CNIE through implementation of new incentive scheme in March 2002, namely the Executive Leader Development Incentive 1% ("ELDI 1%"), introduction of six types of new packages for nutritional care products by CNIE, full year sales of new starter kits which was introduced in January 2001 and full year multi-level marketing operations by CNIS in Singapore.

The increase in total operating revenue for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to the continued increase in the number of distributors, intensive employment of advertisement and promotion by CNIE, full year implementation of the ELDI 1% and upgrading of the existing business development plan by CNIE into a more attractive plan.

The increase in annualised total operating revenue of RM245.828 million for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the continued intensive employment of advertisement and promotion by CNIE and the introduction of mega contests to encourage higher purchases by its distributors.

The increase in total operating revenue for the financial year ended 31 December 2004 as compared to the annualised total operating revenue of RM245.828 million for the 6-month financial period ended 31 December 2003 was mainly due to increase in selling prices of certain beverages including CNI Tongkat Ali Ginseng Coffee by CNIE and the introduction of a new beverage product namely CNI Gold Soya.

(j) The turnaround from a loss before taxation of RM1.211 million for the financial year ended 30 June 1999 to a profit before taxation of RM5.986 million for the financial year ended 30 June 2000 was mainly due to an increase in gross profit margin as a result of economies of scale from higher production volume in the manufacturing operations, an exceptional gain on disposal of leasehold land and building by CNIE, lower administrative staff costs and finance costs and the absence of bad debts written off and exceptional losses on disposal of subsidiary companies suffered by CNI in previous financial year.

The significant increase in PBT Margin for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to an increase in sales composition of higher profit margin nutritional care products, lower increase in selling, distribution, administrative and finance costs and an exceptional gain on disposal of a real estate property by CNI.

The increase in PBT Margin for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to an increase in sales composition of higher profit margin nutritional care products and new starter kits, a reduction in average prices of raw materials, lower increase in sales commission to distributors as a result of the increase in sales composition of lower commission earning nutritional care products and a reduction in finance costs. However, these favourable effects were partially mitigated by a write off of debts owing by companies in which certain directors of the CNI Group are also directors and have substantial financial interests (related parties) and the absence of exceptional gain from the disposal of real estate property.

The decrease in PBT Margin for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to a provision made for directors' retirement benefits which was implemented by the CNI Group during the financial year.

The increase in PBT Margin for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the increase in the sales composition of higher profit margin personal care products coupled with the increase in certain other operating revenue such as distributors' subscription fees and foreign exchange gain.

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There was no difference in PBT Margin for the financial year ended 31 December 2004 as compared to the 6-month financial period ended 31 December 2003 as the increase in profit margin arising from upward revision of selling prices of certain beverages was off-set by higher distribution cost arising from incentive tours expenses incurred during the financial year.

(k) *There is no difference between the effective tax rate and the statutory tax rate for the financial year ended 30 June 2000 and the 6-month financial period ended 31 December 2003.*

The lower effective tax rate applicable to the financial year ended 30 June 2001 was mainly due to lower tax rate attributable to the exceptional gain on disposal of real estate property which was only subject to 5% real property gain tax.

The higher effective tax rate applicable to the financial year ended 30 June 2002 was mainly due to certain expenses including bad debts by related parties being disallowed for taxation purposes.

The lower effective tax rate applicable to the financial year ended 30 June 2003 was mainly due to an adjustment for over provision for taxation in prior financial year totalling RM420,158.

The higher effective tax rate applicable to the financial year ended 31 December 2004 was mainly due to certain expenses being disallowed for taxation purposes.

(l) *There was no minority interest for all the financial years/period under review.*

(m) *The dividends declared and paid by CNI, CNIE, EM and Q-Pack during the financial years/period under review can be referred to in paragraph D.*

(n) *The gross earnings per share is computed based on the proforma profit before taxation divided by the enlarged number of ordinary shares assumed in issue following the Bonus Issue.*

The net earnings per share is computed based on the proforma profit after taxation divided by the enlarged number of ordinary shares assumed in issue following the Bonus Issue.

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3. CNIE

	< ----------Financial Years Ended 30 June ----------- >				6-month Financial Period Ended 31 December	Financial Year Ended 31 December
	(1) 2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000	2004 RM'000
Operating revenue	72,000	90,082	169,307	213,497	116,802	245,364
Cost of sales	(28,870)	(34,345)	(59,200)	(72,480)	(39,368)	(80,932)
Gross profit	43,130	55,737	110,107	141,017	77,434	164,432
Other operating revenue	2,499	2,029	2,529	3,381	2,358	5,386
Selling and Distribution costs	(2) (34,167)	(2) (40,595)	(68,454)	(86,360)	(47,422)	(103,660)
Administrative costs	(2)(3) (4,215)	(2)(3) (4,270)	(5,428)	(17,437)	(9,253)	(17,875)
Other operating costs	(2)(3) (356)	(2)(3) (566)	(3,717)	(486)	(214)	(320)
	(38,738)	(45,431)	(77,599)	(104,283)	(56,889)	(121,855)
Profit from operations	(3) 6,891	(3) 12,335	35,037	40,115	22,903	47,963
Finance costs	(3) (2,219)	(3) (1,855)	(743)	(695)	(390)	(765)
Profit before taxation	4,672	10,480	34,294	39,420	22,513	47,198
Taxation	(1,447)	(3,466)	(11,514)	(10,775)	(6,440)	(13,551)
Profit after taxation	3,225	7,014	22,780	28,645	16,073	33,647

Profit before taxation is analysed as follows: -

Profit before depreciation, interest expense and exceptional item	7,399	13,298	35,767	40,897	23,258	49,070
Depreciation	(1,192)	(1,248)	(1,337)	(1,468)	(743)	(1,869)
Interest expense	(2,013)	(1,570)	(136)	(9)	(2)	(3)
Exceptional item	478	-	-	-	-	-
Profit before taxation	4,672	10,480	34,294	39,420	22,513	47,198
Number of ordinary shares in issue ('000)	18,000	18,000	18,000	18,000	18,000	18,000
Gross earnings per share (RM)	0.26	0.58	1.91	2.19	(4) 1.25	2.62
Net earnings per share (RM)	0.18	0.39	1.27	1.59	(4) 0.89	1.87
PBT Margin (%)	6	12	20	18	19	19
Effective tax rate (%)	31	33	34	27	29	29
Gross dividend rate (%)	-	-	290.0	17.5	123.6	258.0

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(1) *The exceptional item which has been disclosed as a separate component in the audited income statement for the financial year ended 30 June 2000 has been reclassified to other operating revenue to reflect its function which conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. This reclassification has no effect on the gross profit and profit before taxation as shown in the audited income statement for the said financial year.*

(2) *Certain expenses which have been previously classified under administrative costs and property operating costs in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified to selling and distribution costs and other operating costs in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. These reclassifications have no effect in determination of the profit from operations and profit before taxation.*

(3) *The bank charges which were previously included in the administrative costs in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified into finance costs whilst bad debts written off and realised loss on foreign exchange previously included in the finance costs in the audited income statement for the financial year ended 30 June 2000 and 2001 have been reclassified to other operating costs in order to conform with the classification in the latest audited income statement of CNIE for the financial year ended 31 December 2004. The net effects of these reclassifications on the profit from operations and finance costs are as follows:-*

	<- Financial Year Ended 30 June ->	
	2000	***2001***
	RM'000	***RM'000***
Profit from operations		
As per audited financial statements	*6,395*	*12,587*
Add: profit from disposal of leasehold land and building	*478*	*-*
Add: Bank charges	*24*	*27*
Less: Bad debts written off and realised loss on foreign exchange	*(6)*	*(279)*
As adjusted	*6,891*	*12,335*
Finance costs		
As per audited financial statements	*2,201*	*2,107*
Add: Bank charges	*24*	*27*
Less: Bad debts written off and realised loss on foreign exchange	*(6)*	*(279)*
As adjusted	*2,219*	*1,855*

(4) *On the annualised basis, the gross earnings per share is RM2.50 and the net earnings per share is RM1.79.*

Notes: -

(a) *Where figures for an item in the audited income statement had been reclassified when presented as comparative for the following year's audited income statement, the reclassified figures are used for the preparation of the above income statements.*

(b) *There was no extraordinary item as defined in FRS 108 for all the financial years/period under review.*

(c) *The exceptional item for the financial year ended 30 June 2000 was in respect of gain on disposal of leasehold land and building.*

(d) *The increase in total operating revenue for the financial year ended 30 June 2000 as compared to the total operating revenue of RM57.746 million for the financial year ended 30 June 1999 was mainly due to an increase in demand from its existing distributors amidst the recovery in the Malaysian economy, an increase in the number of distributors and the introduction of a new beverage product namely CNI Tongkat Ali Ginseng Coffee, in July 1999.*

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The increase in total operating revenue for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to the continued increase in the number of distributors, an increase in marketing efforts and the introduction of a new nutritional care product namely Life Enzyme, in January 2001.

The significant increase in total operating revenue for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to a significant increase in the number of distributors, the continued increase in marketing efforts, enhancement of marketing strategy through implementation of new incentive scheme in March 2002, namely the Executive Leader Development Incentive 1% ("ELDI 1%"), introduction of six types of new package for nutritional care products, full year sales of new starter kits which was introduced in January 2001 and full year multi-level marketing operations by CNIS which commenced operations in May 2001 as a commission agent for CNIE to tap the Singapore market.

The increase in total operating revenue for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to the continued increase in the number of distributors, intensive employment of advertisement and promotion, full year implementation of the ELDI 1% and upgrading of the existing business development plan into a more attractive plan.

The increase in annualised total operating revenue of RM233.604 million for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the continued increase in advertisement and promotion by CNIE and the introduction of mega contests to encourage higher purchases by its distributors.

The increase in total operating revenue for the financial year ended 31 December 2004 as compared to the annualised total operating revenue of RM233.604 million for the 6-month financial period ended 31 December 2003 was mainly due to increase in selling prices of certain beverages including CNI Tongkat Ali Ginseng Coffee and the introduction of a new beverage product namely CNI Gold Soya.

(e) The increase in PBT Margin of 6% for the financial year ended 30 June 2000 as compared to 3% for the financial year ended 30 June 1999 was mainly due to an exceptional gain on disposal of leasehold land and building, lower administrative and finance costs and the absence of spare part costs incurred in previous financial year for water treatment products of CNIE.

The increase in PBT Margin for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to the increase in gross profit margin as result of an increase in sales composition of higher profit margin nutritional care products coupled with relatively lower increase in selling, distribution, administrative and finance costs.

The significant increase in PBT Margin for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to an increase in sales composition of higher profit margin nutritional care products and new starter kits, lower increase in sales commission to distributors and a reduction in finance costs. However, these favourable effects were partially mitigated by a write off of debts owing by companies in which certain directors of the CNI Group are also directors and have substantial financial interests (related parties).

The decrease in PBT Margin for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to a provision made for directors' retirement benefits which was implemented during the financial year.

The increase in PBT Margin for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the increase in the sales composition of higher profit margin personal care products coupled with the increase in certain other operating revenue such as distributors' subscription fees and foreign exchange gain.

There was no difference in PBT Margin for the financial year ended 31 December 2004 as compared to the 6-month financial period ended 31 December 2003 as the increase in profit margin arising from upward revision of selling prices of certain beverages was off-set by higher distribution cost arising from incentive tours expenses incurred during the financial year.

(f) *The higher effective tax rate applicable to the financial years ended 30 June 2000, 2001 and 2002 was mainly due to certain expenses including bad debts by related parties being disallowed for taxation purposes.*

The lower effective tax rate applicable to the financial year ended 30 June 2003 was mainly due to an adjustment for over provision for taxation in prior financial year of RM420,158.

The higher effective tax rate applicable to the 6-month financial period ended 31 December 2003 was mainly due to an adjustment for under provision for taxation in prior financial year of RM159,733.

The higher effective tax rate applicable to the financial year ended 31 December 2004 was mainly due to certain expenses being disallowed for taxation purposes.

(g) *The dividends declared by CNIE during the financial years/period under review can be referred to in paragraph D.*

(h) *The gross earnings per share is computed based on profit before taxation divided by the number of ordinary shares in issue during the financial years/period.*

The net earnings per share is computed based on profit after taxation divided by the number of ordinary shares in issue during the financial years/period.

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4. EM

	< --------Financial Years Ended 30 June -------- >				6-month Financial Period Ended 31 December	Financial Year Ended 31 December
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000	2004 RM'000
Operating revenue	17,840	25,428	40,138	42,941	24,405	55,585
Cost of sales	(14,036)	(19,728)	(29,961)	(30,621)	(17,349)	(38,682)
Gross profit	(1) 3,804	(1) 5,700	10,177	12,320	7,056	16,903
Other operating revenue	22	120	62	101	82	182
Distribution costs	(114)	(313)	(170)	(142)	(83)	(141)
Administrative costs	(2) (1,349)	(2) (1,408)	(2,111)	(3,615)	(1,713)	(3,373)
Other operating costs	(2) (30)	(2) (81)	(385)	(140)	(40)	(34)
	(1,493)	(1,802)	(2,666)	(3,897)	(1,836)	(3,548)
Profit from operations	(1) 2,333	(1) 4,018	7,573	8,524	5,302	13,537
Finance costs	(1) (302)	(1) (292)	(168)	(46)	(11)	(42)
Profit before taxation	2,031	3,726	7,405	8,478	5,291	13,495
Taxation	(277)	(953)	(1,888)	(2,156)	(1,369)	(3,521)
Profit after taxation	1,754	2,773	5,517	6,322	3,922	9,974

Profit before taxation is analysed as follows: -

Profit before depreciation and interest expense	2,971	4,754	8,479	9,661	5,916	14,890
Depreciation	(651)	(758)	(929)	(1,157)	(625)	(1,378)
Interest expense	(289)	(270)	(145)	(26)	-	(17)
Profit before taxation	2,031	3,726	7,405	8,478	5,291	13,495
Weighted average number of ordinary shares in issue ('000)	(3) 9,184	(3) 9,184	9,184	9,184	9,184	9,184
Gross earnings per share (sen)	22.11	40.57	80.63	92.31	(4) 57.61	146.94
Net earnings per share (sen)	19.10	30.19	60.07	68.84	(4) 42.70	108.60
PBT Margin (%)	11	15	18	20	22	24
Effective tax rate (%)	14	26	25	25	26	26
Gross dividend rate (%)	-	-	-	140.53	55.56	148.00

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(1) *The hire purchase interest, finance lease interest and bank charges which were previously included in the cost of sales and administrative costs in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified into finance costs in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. The net effects of these reclassifications on the gross profit and the profit from operations are as follows: -*

	<---Financial Year Ended 30 June-->	
	2000 RM'000	2001 RM'000
Gross profit		
As per audited financial statements	3,734	5,666
Add: hire purchase and finance lease interest	70	34
As adjusted	3,804	5,700
Profit from operations		
As per audited financial statements	2,249	3,962
Add: hire purchase and finance lease interest and bank charges	84	56
As adjusted	2,333	4,018
Finance costs		
As per audited financial statements	218	236
Add: hire purchase and finance lease interest and bank charges	84	56
As adjusted	302	292

(2) *Certain expenses which have been previously classified under administrative costs in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified to other operating costs in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. These reclassifications have no effect in the determination of the profit from operations and profit before taxation.*

(3) *Number of shares has been adjusted to account for the retrospective effect of bonus issue of 7,347,060 ordinary shares of RM1.00 each made on 6 June 2002 via capitalisation of retained profits.*

(4) *On the annualised basis, the gross earnings per share is 115.22 sen and the net earnings per share is 85.41 sen.*

Notes: -

(a) *Where figures for an item in the audited income statement had been reclassified when presented as comparative for the following year's audited income statement, the reclassified figures are used for the preparation of the above income statements.*

(b) *There was no extraordinary item or exceptional item as defined in FRS 108 for all the financial years/period under review.*

(c) *The increase in total operating revenue for the financial year ended 30 June 2000 as compared to the total operating revenue of RM10.526 million for the financial year ended 30 June 1999 was mainly due to an increase in orders of coffee by CNIE amidst the recovery in the Malaysian economy.*

The increase in total operating revenue for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to an increase in demand for all the existing food, beverage and nutritional care products coupled with the introduction of a new nutritional care product namely, Life Enzyme.

The increase in total operating revenue for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to higher orders of coffee by CNIE.

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The increase in total operating revenue for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to the continued increase in orders from CNIE for its coffee. However, the increase in revenue from coffee was mitigated by a decrease in orders of Life Enzyme by CNIE as CNIE has found an alternative source for this product thus allowing EM to free this production line for other products.

The increase in annualised total operating revenue of RM48.810 million for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the continued increase in orders from CNIE for its coffee.

The increase in total operating revenue for the financial year ended 31 December 2004 as compared to the annualised total operating revenue of RM48.810 million for the 6-month financial period ended 31 December 2003 was mainly due to the continued increase in orders from CNIE for its coffee coupled with contribution from a new product namely CNI Gold Soya.

(d) The significant increase in PBT Margin of 11% for the financial year ended 30 June 2000 as compared to 4% for the financial year ended 30 June 1999 was mainly due to economies of scale resulted from higher production volume.

The increase in PBT Margin for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to the increase in total operating revenue and gross profit without a corresponding increase in administrative staff costs and finance costs.

The continued increase in PBT Margin for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to lower average prices of raw materials.

The increase in PBT Margin for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to the continued decrease in average prices of raw materials. However, the favourable effect of lower average prices of raw materials was mitigated by a provision made for directors' retirement benefits which was implemented during the financial year.

The increase in PBT Margin for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the lower administrative costs as a result of lower provision for directors' retirement benefit.

The increase in PBT Margin for the financial year ended 31 December 2004 as compared to the 6-month financial period ended 31 December 2003 was mainly due to the increase in sales composition of higher profit margin coffee.

(e) The lower effective tax rate applicable to all the financial years/period under review was mainly due to availability of reinvestment allowance claimed by EM under Schedule 7A of the Income Tax Act, 1967 in respect of qualifying property, plant and equipment acquired during these financial years/period.

(f) The dividends declared by EM during the financial years/period under review can be referred to in paragraph D.

(g) The gross earnings per share is computed based on profit before taxation divided by the weighted average number of ordinary shares in issue during the financial years/period.

The net earnings per share is computed based on profit after taxation divided by the weighted average number of ordinary shares in issue during the financial years/period.

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5. Q-PACK

	< ---------Financial Years Ended 30 June --------->				6-month Financial Period Ended 31 December	Financial Year Ended 31 December
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000	2004 RM'000
Operating revenue	4,016	4,714	7,934	10,822	6,230	12,474
Cost of sales	(3,658)	(4,302)	(7,062)	(8,776)	(5,005)	(10,840)
Gross profit	(1) 358	(1) 412	872	2,046	1,225	1,634
Other operating revenue	7	8	9	11	4	50
Selling and Distribution costs	(2) (52)	(2) (44)	(56)	(36)	(8)	(42)
Administrative costs	(2) (437)	(2) (481)	(618)	(826)	(694)	(1,134)
Other operating costs	(2) (5)	(2) (15)	(7)	(6)	-	(2)
	(494)	(540)	(681)	(868)	(702)	(1,178)
(Loss)/Profit from operations	(1) (129)	(1) (120)	200	1,189	527	506
Finance costs	(1) (22)	(1) (1)	(51)	(55)	(1)	-
(Loss)/Profit before taxation	(151)	(121)	149	1,134	526	506
Taxation	37	(10)	130	(308)	27	(110)
(Loss)/Profit after taxation	(114)	(131)	279	826	553	396

(Loss)/Profit before taxation is analysed as follows: -

Profit before depreciation and interest expense	128	137	466	1,505	703	846
Depreciation	(257)	(257)	(266)	(316)	(176)	(340)
Interest expense	(22)	(1)	(51)	(55)	(1)	-
(Loss)/Profit before taxation	(151)	(121)	149	1,134	526	506

Number of ordinary shares in issue ('000)	300	300	300	300	300	300
Gross (loss)/earnings per share (RM)	(0.50)	(0.40)	0.50	3.78	(3) 1.75	1.69
Net (loss)/earnings per share (RM)	(0.38)	(0.44)	0.93	2.75	(3) 1.84	1.32
(LBT)/PBT Margin (%)	(4)	(3)	2	10	8	4
Effective tax rate (%)	(25)	8	(87)	27	(5)	22
Gross dividend rate (%)	-	-	-	414.29	-	100.00

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(1) *The hire purchase interest and finance lease interest which were previously included in the cost of sales in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified into finance costs whilst bad debts written off which was previously included in the finance costs in the audited income statement for the financial year ended 30 June 2001 has been reclassified to other operating costs in order to conform with the classification in the latest audited income statement for the financial year ended 31 December 2004. The net effects of these reclassifications on the gross profit, the loss from operations and the finance costs are as follows:-*

	<--- Financial Year Ended 30 June --->	
	2000	**2001**
	RM'000	**RM'000**
Gross profit		
As per audited financial statements	336	411
Add: Hire purchase interest and finance lease interest	22	1
As adjusted	358	412
Loss from operations		
As per audited financial statements	(151)	(113)
Add: Hire purchase interest and finance lease interest	22	-
Less: Bad debts written off	-	(7)
As adjusted	(129)	(120)
Finance costs		
As per audited financial statements	-	7
Add: Hire purchase interest and finance lease interest	22	1
Less: Bad debts written off	-	(7)
As adjusted	22	1

(2) *Certain expenses which have been previously classified under administrative costs in the audited income statement for the financial years ended 30 June 2000 and 2001 have been reclassified to selling and distribution costs and other operating costs in order to conform with the classification in the latest audited income statements for the financial year ended 31 December 2004. These reclassifications have no effect in the determination of the profit from operations and profit before taxation.*

(3) *On the annualised basis, the gross earnings per share is RM3.51 and the net earnings per share is RM3.69.*

Notes: -

(a) *Where figures for an item in the audited income statement had been reclassified when presented as comparative for the following year's audited income statement, the reclassified figures are used for the preparation of the above income statements.*

(b) *There was no extraordinary item or exceptional item as defined in FRS 108 for all the financial years/period under review.*

(c) *The increase in total operating revenue for the financial year ended 30 June 2000 as compared to the total operating revenue of RM3.846 million for the financial year ended 30 June 1999 was mainly due to an increase in orders from CNIE amidst the recovery in the Malaysian economy.*

The increase in total operating revenue for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to an increase in demand for its household care products from its existing customers coupled with the introduction of a new product line for its personal care products namely, oral care products.

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The significant increase in total operating revenue for the financial year ended 30 June 2002 as compared to the financial year ended 30 June 2001 was mainly due to a significant increase in orders from CNIE for its personal care products which include, among others, the oral care products.

The increase in total operating revenue for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to the continued increase in orders from CNIE for its household care products and personal care products.

The increase in anualised total operating revenue of RM12.460 million for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to the continued increase in orders from CNIE for its personal care products.

The marginal increase in total operating revenue for the financial year ended 31 December 2004 as compared to the annualised total operating revenue of RM12.460 million for the 6-month financial period ended 31 December 2003 was mainly due to the continued increase in orders from CNIE for its personal care products which include, among others, the skin care and fire sense products.

(d) *The decrease in LBT Margin of 4% for the financial year ended 30 June 2000 as compared to 8% for the financial year ended 30 June 1999 was mainly due to a reduction in interest expenses as a result of full settlement of loan and hire purchase liabilities in previous financial year.*

The marginal decrease in LBT Margin for the financial year ended 30 June 2001 as compared to the financial year ended 30 June 2000 was mainly due to certain administrative costs did not increase in proportion to the increase in total operating revenue and lower interest expenses from full settlement of finance lease payables.

The turnaround from a loss before taxation for the financial year ended 30 June 2001 to a profit before taxation for the financial year ended 30 June 2002 was mainly due to higher increase from filling and labelling works and proportionately lower increase in administrative staff costs.

The significant increase in PBT Margin for the financial year ended 30 June 2003 as compared to the financial year ended 30 June 2002 was mainly due to an increase in production composition of personal and skin care products with higher profit margin and the continued increase in revenue from filling and labelling works.

The decrease in PBT Margin for the 6-month financial period ended 31 December 2003 as compared to the financial year ended 30 June 2003 was mainly due to an increase in staff costs although partially mitigated by the continued increase in production composition of personal care products with higher profit margin.

The decrease in PBT Margin for the financial year ended 31 December 2004 as compared to the 6-month financial period ended 31 December 2003 was mainly due to an increase in average prices of raw materials although partially mitigated by lower staff costs with the reduction in the number of employees from 106 at the end of the financial period to 97 at the end of the financial year.

(e) *The credit taxation for the financial year ended 30 June 2000 was mainly due to a reversal of deferred taxation liabilities attributable to the losses suffered by Q-Pack during the financial year.*

The provision for taxation for the financial year ended 30 June 2001 was mainly due to an additional provision for deferred taxation liabilities arising from timing differences between depreciation and capital allowances for property, plant and equipment.

The credit taxation for the financial year ended 30 June 2002 was mainly due to an over provision for deferred taxation liabilities in previous financial years.

The lower effective tax rate applicable to the financial year ended 30 June 2003 was mainly due to the utilisation of unabsorbed capital allowances and unrelieved tax losses brought forward to set off against current year's taxable profits for which no deferred tax assets on these allowances and losses have been previously recognised.

The negative effective tax rate applicable to the 6-month financial period ended 31 December 2003 was mainly due to availability of reinvestment allowance claimed by Q-Pack under Schedule 7A of the Income Tax Act, 1967 for qualifying capital expenditure during the period and an adjustment for over-provision of taxation in prior year.

The lower effective tax rate applicable to the financial year ended 31 December 2004 was mainly due to lower tax rate of 20% applicable on the first RM500,000 chargeable income of EM. This was in accordance with the provision of the Income Tax Act, 1967 applicable to companies with paid-up share capital of RM2.5 million or less with effect from year of assessment 2004.

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(f) *The dividends declared by Q-Pack during the financial years/period under review can be referred to in paragraph D.*

(g) *The gross (loss)/earnings per share is computed based on (loss)/earnings before taxation divided by the number of ordinary shares in issue during the financial years/period.*

The net (loss)/earnings per share is computed based on (loss)/earnings after taxation divided by the number of ordinary shares in issue during the financial years/period.

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