

This Prospectus has been seen and approved by the Directors and Promoters of CNI Holdings Berhad (“CNI” or the “Company”) and the Offerors (as defined herein) and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading. The Directors and Promoters of CNI hereby accept full responsibility for the profit forecast included in this Prospectus and confirm that the profit forecast has been prepared based on the assumptions made.

RHB Sakura Merchant Bankers Berhad, as the Adviser, acknowledges that based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Offer for Sale and EES (as defined herein) and is satisfied that the profit forecast (for which the Directors of CNI are fully responsible) prepared for inclusion in the Prospectus has been stated by the Directors of CNI after due and careful enquiry and has been duly reviewed by the Reporting Accountants.

The Securities Commission (“SC”) has approved the Offer for Sale and EES and the approval of the SC shall not be taken to indicate that the SC recommends the Offer for Sale and EES. The SC shall not be liable for any non-disclosure on the part of CNI and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Bursa Malaysia Securities Berhad (“Bursa Securities”) shall not be liable for any non-disclosure on the part of CNI and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The admission to the Official List of the Main Board of Bursa Securities is not to be taken as an indication of the merits of the invitation, CNI or of its ordinary shares.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

DEFINITIONS

Unless the context otherwise requires, the following definitions shall apply throughout this Prospectus and the Application Forms:

Act	:	Companies Act, 1965 and any amendments thereto
ADA	:	Authorised Depository Agent
Application	:	Application for the Offer Shares and EES Shares by way of Application Form or by way of Electronic Share Application
Application Form(s)	:	Printed application form(s) for the application of the Offer Shares and EES Shares accompanying this Prospectus
Astaka Cergas	:	Astaka Cergas Sdn Bhd (<i>Company No.: 583656-T</i>)
ATM	:	Automated teller machine
Bursa Securities	:	Bursa Malaysia Securities Berhad (<i>Company No.: 635998-W</i>)
Bonus Issue	:	Bonus issue of 573,030,000 new Shares, credited as fully paid-up, on the basis of 57,303 new Shares for every 2,697 existing Shares held in the Company which was completed on 2 June 2005
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (<i>Company No.: 165570-W</i>)
Cabar Sanubari	:	Cabar Sanubari Sdn Bhd (<i>Company No.: 573928-D</i>)
CDS	:	Central Depository System
CDS Account	:	Account established for a depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the depositor
CEO	:	Chief Executive Officer
Citra Nusa	:	Citra Nusa Insancemerlang Investment Company (<i>Company No.:49594</i>), a company incorporated in the Republic of Mauritius
CNI / Company	:	CNI Holdings Berhad (<i>Company No.: 181758-A</i>)
CNI Corp	:	CNI Corporation Sdn Bhd (<i>Company No: 147068-K</i>)
CNI Group Employees / Employees	:	The eligible employees and Directors of the CNI Group, as at 14 June 2005, who are eligible to participate in the Employee Equity Scheme
CNI Group / Group	:	CNI and its subsidiaries
CNI IPHC	:	CNI IPHC (<i>Company No.: 49593</i>), a company incorporated in the Republic of Mauritius
CNIE	:	CNI Enterprise (M) Sdn Bhd (<i>Company No.: 161139-M</i>)
CNIS	:	Creative Network International (S) Pte Ltd (<i>Company No.: 199203774N</i>), a company incorporated in Singapore
CNI Venture	:	CNI Venture Sdn Bhd (<i>Company No.: 307844-A</i>), a wholly-owned subsidiary of CNI Corp

DEFINITIONS (Cont'd)

CSSB	:	Collective Station Sdn Bhd (<i>Company No.: 683703-D</i>)
DCA	:	Drug Control Authority
DSA	:	Direct Sales Act, 1993 and any amendments thereto
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
Electronic Share Application	:	Application for the Offer Shares through a Participating Financial Institution's ATM
EM	:	Exclusive Mark (M) Sdn Bhd (<i>Company No.: 212268-T</i>)
Employee Equity Scheme or EES	:	The offer for sale by CSSB of 7,107,100 Shares representing 1.18% of the issued and paid-up share capital of CNI to the CNI Group Employees <i>via</i> a scheme, the salient terms and conditions of which are set out in Section 3.5 of this Prospectus
EES Period	:	The period the EES is valid, commencing from the date of this Prospectus and expiring on the date falling 5 years therefrom
EES Shares	:	7,107,100 Shares which are the subject of the EES
EPS	:	Earnings per share
FIC	:	Foreign Investment Committee
Fitri Ceria	:	Fitri Ceria Sdn Bhd (<i>Company No.: 583220-M</i>)
Flotation Scheme	:	Revaluation, Share Split, Bonus Issue, Employee Equity Scheme, Offer for Sale and Listing, collectively
FYE	:	Financial year ended/ending
GDP	:	Gross domestic product
GMP	:	Good Manufacturing Practice
HACCP	:	Hazard Analysis and Critical Control Point
Listing	:	Admission of CNI to the Official List of Bursa Securities and the listing of and quotation for the entire issued and paid-up share capital of CNI of RM60,000,000 comprising 600,000,000 Shares on the Main Board of Bursa Securities following the Offer for Sale
LPS	:	Loss per Share
Market Day	:	Any day on which Bursa Securities is open for the trading of securities
Marvellous Heights	:	Marvellous Heights Sdn Bhd (<i>Company No.: 670788-A</i>)
MBSA	:	Majlis Bandaraya Shah Alam
MDTC	:	Ministry of Domestic Trade and Consumer Affairs
MIH	:	Malaysian Issuing House Sdn Bhd (<i>Company No.: 258345-X</i>)

DEFINITIONS (Cont'd)

MITI	:	Ministry of International Trade and Industry
MoH	:	Ministry of Health, Malaysia
NTA	:	Net tangible assets
Offer for Sale	:	Offer for sale by the Offerors of 83,892,900 Offer Shares at the offer price of RM0.90 per Offer Share payable in full upon application comprising: (i) 19,892,900 Offer Shares to eligible directors, employees, distributors and persons who have contributed to the success of the CNI Group; (ii) 34,000,000 Offer Shares to identified investors by way of private placement; and (iii) 30,000,000 Offer Shares to the Malaysian public.
Offer Shares	:	83,892,900 Shares which are the subject of the Offer for Sale
Offerors	:	Collectively, PCM, (Dr) Koh Peng Chor, Gan Chooi Yang, Law Yang Ket, Gan Ah Seng, Tan Kim Choon, Stephanus Abrian Natan, Tan Sia Swee, Gan Choo Huat, Suharman Subianto, Ginawan Chondro, Toh Siew Kee, Chew Boon Swee, Chew Boon Yeng, Heng Hoay Liang@ Heng Hoyee Ee, Cheong Chee Kee, Teo Teck Ong, Koh Tiah Siew, Fitri Ceria, Cabar Sanubari, Astaka Cergas, Suriakhas and Gracemacro Sdn Bhd
Participating Financial Institution(s)	:	Participating financial institution(s) for Electronic Share Application as listed in Section 17.5 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PCM	:	PC Marketing Sdn Bhd (<i>Company No.: 158119-U</i>)
PE Multiple	:	Price earnings multiple
Promoters	:	Collectively, (Dr) Koh Peng Chor, Tan Sia Swee and Law Yang Ket
Q-Pack	:	Q-Pack (M) Sdn Bhd (<i>Company No.: 254283-U</i>)
Revaluation	:	Incorporation of revaluation surplus by CNI arising from the revaluation of investments in its subsidiary companies, namely CNIE, EM, Q-Pack and CNIS, into the audited financial statements of CNI for the FYE 31 December 2004
RHB Sakura	:	RHB Sakura Merchant Bankers Berhad (<i>Company No.: 19663-P</i>)
RM and sen	:	Ringgit Malaysia and sen, respectively
ROC	:	Registrar of Companies
SC	:	Securities Commission
Share(s)	:	Ordinary share(s) of RM0.10 each in CNI
Share Split	:	Share split of 2,697,000 ordinary shares of RM1.00 each in CNI to 26,970,000 ordinary shares of RM0.10 each by way of sub-division of par value from RM1.00 to RM0.10 which was completed on 1 June 2005

DEFINITIONS *(Cont'd)*

Suriakhas	:	Suriakhas Sdn Bhd <i>(Company No.: 582577-V)</i>
SGD	:	Singapore Dollar
Strike Price(s)	:	The price(s) over the EES Period which is payable to CSSB for the EES Shares offered for sale by way of the EES
USA	:	United States of America
USD or US Dollar	:	United States Dollar
Vital Factor	:	Vital Factor Consulting Sdn Bhd <i>(Company No.:266797-T)</i>

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for the entire issued and paid-up share capital of the Company of RM60,000,000 comprising 600,000,000 Shares on the Main Board of Bursa Securities is set out below:

Event	Tentative date
Opening of the Offer for Sale and EES	28 June 2005
Closing of the Offer for Sale and EES	18 July 2005
Balloting of applications for the Offer Shares pursuant to the Offer for Sale	21 July 2005
Allotment of Shares	28 July 2005
Listing of and quotation for the Company's entire issued and paid-up share capital on the Main Board of Bursa Securities	4 August 2005

The application for the Offer for Sale will close at the time and date as stated above or such other date as the Directors of the Company, the Offerors and the Underwriter in their absolute discretion may mutually decide. Any extension of the abovementioned dates will be published in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

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CONTENTS

	Page
1. CORPORATE DIRECTORY	1
2. INFORMATION SUMMARY	4
2.1 History And Business	4
2.2 Promoters, Substantial Shareholders, Directors And Key Management	6
2.3 Major Licences, Permits And Registrations	9
2.4 Financial Highlights	11
2.5 Proforma Consolidated Balance Sheets Of CNI As At 31 December 2004	14
2.6 Audit Qualifications	15
2.7 Principal Statistics Relating To The Offer For Sale	15
2.8 Risk Factors	17
2.9 Utilisation Of Proceeds	17
2.10 Material Litigation, Material Capital Commitments And Contingent Liabilities	18
3. PARTICULARS OF THE OFFER FOR SALE AND EES	20
3.1 Preliminary	20
3.2 Opening And Closing Of Application	21
3.3 Critical Dates	21
3.4 Share Capital	21
3.5 Details Of The Offer For Sale And EES	22
3.6 Details On Pink Forms And EES Allocations	26
3.7 Purposes Of The Flotation Scheme	26
3.8 Basis Of Arriving At The Offer Price And Strike Price(s) For The EES	27
3.9 Utilisation Of Proceeds	27
3.10 Brokerage, Underwriting Commission And Estimated Listing Expenses	27
3.11 Salient Terms Of The Underwriting Agreement	28
4. RISK FACTORS	32
4.1 Competition	32
4.2 Foreign Market Risk And Foreign Currency Fluctuation Risk	32
4.3 Dependence On Key Personnel	33
4.4 Reliance On Key Distributors	33
4.5 Potential Negative Impact Of Distributor Actions	33
4.6 Dependence On Principal Products	34
4.7 Business Risk	34
4.8 Control By Existing Shareholders	34
4.9 Relationship With And Reliance On CNI Corp, CNI Venture, CNI IPHC And Citra Nusa	35
4.10 Product Liability	35
4.11 System Failures	35
4.12 Insurance Coverage	36
4.13 Disruption To Manufacturing Operations	36
4.14 Economic, Political And Regulatory Risks	36
4.15 Licensing Risk	36
4.16 Profit Forecast And Forward Looking Statements	37
4.17 Failure / Delay In The Listing	37
4.18 No Prior Market For The Shares	37
4.19 Capital Market Risks	38
5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS	39
5.1 Overview Of The Malaysian Economy	39
5.2 Overview Of The Direct Selling Industry	41
5.3 Outlook Of The Direct Selling Industry	48
6. INFORMATION ON THE CNI GROUP	49
6.1 Incorporation And Principal Activities	49
6.2 Share Capital	49
6.3 Flotation Scheme	50

CONTENTS (Cont'd)

6.4	History.....	51
6.5	Business Overview.....	53
6.6	Information On Subsidiary Companies.....	80
7.	INFORMATION ON SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT OF THE CNI GROUP.....	84
7.1	Promoters And Substantial Shareholders.....	84
7.2	Directors.....	90
7.3	Key Management Of CNI Group.....	94
7.4	Involvement Of Executive Directors / Key Management In Other Businesses / Corporations.....	98
7.5	Declarations From The Directors And Key Management.....	98
7.6	Audit Committee.....	98
7.7	Family Relationships.....	99
7.8	Service Agreements.....	99
8.	APPROVALS AND CONDITIONS FOR THE FLOTATION SCHEME.....	101
9.	RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST.....	104
9.1	Related Party Transactions And Conflicts Of Interest.....	104
9.2	Declarations By The Advisers.....	110
10.	MAJOR LICENCES, PERMITS AND REGISTRATIONS.....	111
11.	LAND AND BUILDINGS.....	121
12.	FINANCIAL INFORMATION.....	126
12.1	Profit And Dividend Record.....	126
12.2	Future Financial Information.....	136
12.3	Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets.....	147
13.	ACCOUNTANTS' REPORT.....	153
14.	INDEPENDENT INDUSTRY ASSESSMENT REPORT.....	215
15.	DIRECTORS' REPORT.....	234
16.	FURTHER INFORMATION.....	235
16.1	Share Capital.....	235
16.2	Articles Of Association.....	235
16.3	Directors And Substantial Shareholders.....	241
16.4	General.....	243
16.5	Expenses And Commissions.....	243
16.6	Public Take-Overs.....	244
16.7	Material Litigation.....	244
16.8	Material Contracts.....	244
16.9	Material Agreements.....	245
16.10	Letters Of Consent.....	246
16.11	Responsibility Statements.....	246
16.12	Documents Available For Inspection.....	247
17.	PROCEDURES FOR APPLICATION AND ACCEPTANCE.....	248
17.1	Opening And Closing Of Applications.....	248
17.2	Methods Of Application.....	248
17.3	Procedures For Application.....	248
17.4	Application Using The Application Forms.....	250
17.5	Applications Using Electronic Share Application.....	253
17.6	Applications And Acceptances.....	257
17.7	CDS Accounts.....	258
17.8	Notice Of Allotment.....	259
17.9	List of ADAs.....	259

1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Occupation	Nationality
(Dr) Koh Peng Chor <i>(Group Executive Chairman and CEO)</i>	A-5-23, Sri Alam Condominium, Jalan Kelab Golf 13/1, Section 13, Kelab Golf Sultan Abdul Aziz Shah, 40100 Shah Alam, Selangor Darul Ehsan	Company Director	Malaysian
Tan Sia Swee <i>(Executive Director)</i>	No. 14 Lorong Jalak, Taman Bukit Mewah, Jalan Cheras, 56000 Kuala Lumpur	Company Director	Malaysian
Chew Boon Swee <i>(Executive Director)</i>	C-4-35, Sri Alam Condominium, Jalan Kelab Golf 13/1, Section 13, Kelab Golf Sultan Abdul Aziz Shah, 40100 Shah Alam, Selangor Darul Ehsan	Company Director	Malaysian
Cheong Chin Tai <i>(Executive Director)</i>	No. 14 Lorong Jalak, Taman Bukit Mewah Jalan Cheras 56000 Kuala Lumpur	Company Director	Malaysian
Law Yang Ket <i>(Executive Director)</i>	29C1-3-7, Condo Miharja, Jalan Palong, Cheras, 52200 Kuala Lumpur	Company Director	Malaysian
Thiang Kai Goh <i>(Independent Non-Executive Director)</i>	No.77, Jalan Ibus, Southern Park, 41200 Klang Selangor Darul Ehsan	Company Director	Malaysian
Aggie Chew Poh Lian <i>(Independent Non-Executive Director)</i>	No. 1, Jalan Terkis, Setapak, 53000 Kuala Lumpur	Company Director	Malaysian
Zulkifli Bin Mohamad Razali <i>(Independent Non-Executive Director)</i>	No 1, Jalan Ketiau 3/10, 40000 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Thiang Kai Goh	Chairman of Audit Committee	Independent Non-Executive Director
(Dr) Koh Peng Chor	Member of Audit Committee	Group Executive Chairman and CEO
Zulkifli Bin Mohamad Razali	Member of Audit Committee	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : Lim Ming Toong (MAICSA 7000281)
953 Section 17/49
46400 Petaling Jaya
Selangor Darul Ehsan
- Liew Wai Kean (F) (MAICSA 7020245)
51 Jalan BRP 7/1G,
Bukit Rahman Putra,
47000 Sg Buloh
Selangor Darul Ehsan
- REGISTERED OFFICE** : Mezzanine Floor, 8A Jalan Sri Semantan Satu
Damansara Heights 50490 Kuala Lumpur
Tel: +603 2094 1888
Fax: +603 2094 7673
Email: dcspb@po.jaring.my
- HEAD / MANAGEMENT OFFICE** : No. 2 Jalan U1/17, Seksyen U1
Hicom-Glenmarie Industrial Park
40000 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel: +603 5569 4000
Fax: +603 5569 1079/1080
Website: <http://www.cniholdings.com.my>
- PRINCIPAL BANKERS** : Malayan Banking Berhad (Shah Alam Branch)
10 Persiaran Perbandaran Sekyen 14
40000 Shah Alam
Selangor Darul Ehsan
- Alliance Bank Malaysia Berhad
Mezzanine Floor, Menara Prudential
No. 10 Jalan Sultan Ismail
50250 Kuala Lumpur
- AUDITORS AND REPORTING ACCOUNTANTS** : Messrs Moore Stephens
(Firm No.: AF.0282)
No. 8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur
Tel: +603 2094 1888
- SOLICITORS FOR THE LISTING EXERCISE** : Messrs Lee Perara & Tan
No. 55, Jalan Thambapillai
Off Jalan Tun Sambanthan
Brickfields
50470 Kuala Lumpur
Tel: +603 2273 4307
- INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** : Vital Factor Consulting Sdn Bhd
75C & 77C Jalan SS22/19
Damansara Jaya
47400 Petaling Jaya
Selangor
Tel: +603 7728 0248

1. CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd 27 Floor, Menara Multi-Purpose Capital Square No 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel : +603 2693 2075
REGISTRAR	:	Symphony Share Registrars Sdn Bhd <i>(formerly known as Malaysian Share Registration Services Sdn Bhd)</i> Level 26, Menara Multi-Purpose Capital Square No 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel : +603 2721 2222
ADVISER / UNDERWRITER /PLACEMENT AGENT	:	RHB Sakura Merchant Bankers Berhad Level 10, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel: +603 9287 3888
LISTING SOUGHT	:	Main Board of Bursa Securities

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2. INFORMATION SUMMARY

THE FOLLOWING SECTION OF THIS PROSPECTUS ONLY REPRESENTS A SUMMARY OF THE SALIENT INFORMATION ABOUT THE CNI GROUP. PROSPECTIVE INVESTORS SHOULD THEREFORE READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS BEFORE DECIDING WHETHER TO INVEST IN THE OFFER SHARES.

2.1 HISTORY AND BUSINESS

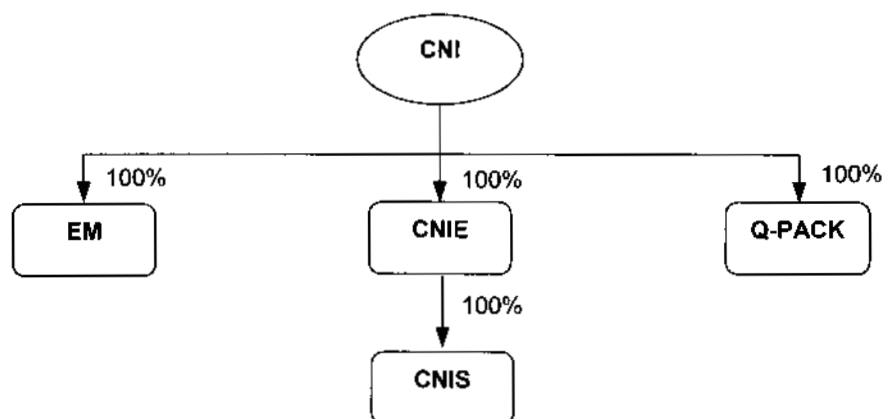
CNI was incorporated in Malaysia under the Act on 3 May 1989 as a private limited company under the name of Homca Chemical Sdn Bhd. On 29 January 1991, the Company changed its name to Forever Young Holdings Sdn Bhd. On 4 September 2002, the Company changed its name to CNI Holdings Sdn Bhd and was subsequently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

CNI is principally an investment holding company and provides management services to its subsidiary companies. The principal activities of CNI's subsidiary companies are as follows:

Company	Effective equity interest held (%)	Principal activities
CNIE	100	Multilevel Marketing of healthcare and consumer products
EM	100	Contract manufacturing, manufacturing, packaging, distribution and supply of all kinds of foodstuffs and beverages
Q-Pack	100	Contract manufacturing, manufacturing and trading of household use products and personal care products and the provision of packaging services for related products
<i>Subsidiary of CNIE</i>		
CNIS	100	Multilevel Marketing of healthcare and consumer products in Singapore

For further details on the subsidiary companies of CNI, please refer to Section 6.6 of this Prospectus.

The corporate structure of the CNI Group is illustrated diagrammatically below:



2. INFORMATION SUMMARY (Cont'd)

CNI is a growing Multilevel Marketing company, focusing on the distribution and sale of food and beverage, health food supplement, household, personal and beauty care products. CNI, through its subsidiary CNIE, is the exclusive distribution vehicle for the "CNI" trademark of products in Malaysia, Singapore and Brunei.

The Group's products are sold primarily through distributors who are not employees of the Group via the direct sales method. As at 31 May 2005, the Group has 70 distribution centres servicing approximately 310,841 distributors, 133 sales points and 25 professional skin care centres in Malaysia, Singapore and Brunei.

The products of the Group can be generally categorised into 5 distinct product lines, namely, personal care products and cosmetics, nutritional and health products, household and auto care products, food and beverages and other miscellaneous products.

Products from the food and beverages category generate the highest turnover and profit contribution to the Group. Within this category, the 3-in-1 instant coffee in sachet forms are more popular in demand, particularly, the CNI-Café, which is coffee with ginseng extracts and the CNI Tongkat Ali Ginseng Coffee, which is coffee with ginseng extracts blended with Tongkat Ali powder. For the FYE 31 December 2004, the Group's coffee based beverages generated approximately 35.86% of the revenue of the Group.

The CNI-Café was the proud recipient of the internationally acclaimed "Top 10-Coffee Fest Seattle Best of Show 1998" award presented by the "Coffee & Cuisine" magazine based in the USA as being one of the "most unusual and tastiest coffee". In addition, the CNI Energinseng Coffee (widely known in Malaysia as CNI-Café) was awarded the "American Taste Award of Excellence" from the National Board of the American Tasting Institute in San Francisco, California, USA in 2001. The CNI Group further, through EM, obtained the 23rd International Award for food and beverages, which was held in France, conducted by Trade Leaders Club (Spain) in 2002.

Products from the nutritional and health care category are another major contributor to the Group's turnover and profits and within this category, the life enzymes and the royal jelly products are the more popular and better selling products.

The Group is also an Original Brand Manufacturer of its own range of products marketed under the "CNI" brand name. Essentially, the Group manufactures most of the beverages, personal care products, household care products and auto care products for its Multilevel Marketing business.

For further details on the history and business of the CNI Group, please refer to Sections 6.4 and 6.5 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The following information summary on the Promoters, substantial shareholders, Directors and key management of the CNI Group is extracted from and should be read in conjunction with the detailed information set out in Section 7 of this Prospectus.

2.2.1 Promoters

The promoters of CNI and their respective shareholdings in CNI after the Offer for Sale and EES are as follows:

Promoter	Nationality	←-----Direct----->		←-----Indirect----->	
		No. of Shares	%	No. of Shares	%
(Dr) Koh Peng Chor	Malaysian	-	-	300,938,336 ¹	50.16
Tan Sia Swee	Malaysian	20,214,150	3.37	1,000,000 ²	0.17
Law Yang Ket	Malaysian	1,156,460	0.19	-	-

Notes:

- 1 Deemed interested pursuant to Section 6A of the Act by virtue of his direct and/or indirect shareholdings in PCM, Marvellous Heights and his associate's shareholdings in CNI
- 2 Deemed interested by virtue of his spouse's (Wong Siew Fong) shareholdings in CNI assuming she takes up in full her entitlement under the pink form allocation and EES

2.2.2 Substantial shareholders

The substantial shareholders and their respective shareholdings in CNI after the Offer for Sale and EES are as follows:

Substantial shareholder	Place of incorporation / Nationality	←-----Direct----->		←-----Indirect----->	
		No. of Shares	%	No. of Shares	%
Marvellous Heights	Malaysia	300,915,336	50.15	-	-
Cabar Sanubari	Malaysia	41,956,731	6.99	300,915,336 ¹	50.15
Fitri Ceria	Malaysia	31,451,557	5.24	-	-
PCM	Malaysia	-	-	300,915,336 ¹	50.15
Syed Esa bin Syed Abdul Kadir	Malaysian	-	-	342,881,067 ²	57.14
Syed Abdullah bin Syed Abd Kadir	Malaysian	-	-	342,881,067 ²	57.14
Datin Normah binti Tan Sri Hashim	Malaysian	-	-	31,451,557 ³	5.24
Dato' Mohamed Azman bin Yahya	Malaysian	-	-	31,451,557 ³	5.24
(Dr) Koh Peng Chor	Malaysian	-	-	300,938,336 ⁴	50.16
Chuah Tek Lan	Malaysian	-	-	300,938,336 ⁴	50.16
Koh How Loon	Malaysian	23,000 [^]	*	300,915,336 ⁵	50.15

2. INFORMATION SUMMARY (Cont'd)

Notes:

- ^ Assuming he takes up in full his entitlement under the pink form allocation and EES
- * Negligible
- 1 Deemed interested pursuant to Section 6A of the Act by virtue of its shareholdings in Marvellous Heights
- 2 Deemed interested pursuant to Section 6A of the Act by virtue of his direct and/or indirect shareholdings in Marvellous Heights and Cabar Sanubari
- 3 Deemed interested pursuant to Section 6A of the Act by virtue of his/her shareholdings in Fitri Ceria
- 4 Deemed interested pursuant to Section 6A of the Act by virtue of his/her direct and/or indirect shareholdings in PCM, Marvellous Heights and his/her associate's shareholdings in CNI
- 5 Deemed interested pursuant to Section 6A of the Act by virtue of his indirect shareholdings in Marvellous Heights via his and his associates' shareholdings in PCM

2.2.3 Directors

The Directors of CNI and their respective shareholdings in CNI after the Offer for Sale and EES are as follows:

Directors	Designation	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
(Dr) Koh Peng Chor	Group Executive Chairman and CEO	-	-	300,938,336 ¹	50.16
Tan Sia Swee	Executive Director	20,214,150	3.37	1,000,000 ²	0.17
Chew Boon Swee	Executive Director	890,512	0.15	-	-
Cheong Chin Tai	Executive Director	1,000,000 ³	0.17	-	-
Law Yang Ket	Executive Director	1,156,460	0.19	-	-
Thiang Kai Goh	Independent Non-Executive Director	-	-	-	-
Aggie Chew Poh Lian	Independent Non-Executive Director	-	-	-	-
Zulkifli Bin Mohamad Razali	Independent Non-Executive Director	-	-	-	-

Notes:

- 1 Deemed interested pursuant to Section 6A of the Act by virtue of his direct and/or indirect shareholdings in PCM, Marvellous Heights and his associate's shareholdings in CNI
- 2 Deemed interested by virtue of his spouse's (Wong Siew Fong) shareholdings in CNI assuming she takes up in full her entitlement under the pink form allocation and EES
- 3 Assuming he takes up in full his entitlement under the pink form allocation and EES

2. INFORMATION SUMMARY (Cont'd)

2.2.4 Key management

The key management of the CNI Group and their respective shareholdings in CNI after the Offer for Sale and EES are as follows (assuming that they take up in full their entitlement to the Offer Shares in respect of the pink form allocations pursuant to the Offer for Sale and the EES Shares pursuant to the EES):

Key management	Designation	←-----Direct-----→		←-----Indirect-----→	
		No. of Shares	%	No. of Shares	%
Chan Kok Liang	CEO of CNIS	700,000	0.12	-	-
Cheong Chee Kee	Executive Director of Q-Pack	2,362,155	0.39	-	-
Chok Yoon Kwong	Plant Manager of EM	128,000	0.02	-	-
Chong Nyok Hon	Senior Manager, Finance and Accounts of CNIE	410,000	0.07	-	-
Idril Bin Idris	Senior Manager, Sales Development of CNIE	124,000	0.02	-	-
Koh Teng Kiat	Executive Director of CNIS	500,000	0.08	-	-
Koh Tiah Siew	Executive Director of EM and Q-Pack	1,087,322	0.18	-	-
Mazlah Bt Ibrahim	Senior Manager, Product Marketing of CNIE	311,000	0.05	-	-
Ong Chun Eng	Senior Manager, Human Resource, Information and Communications Technology and System Division of CNIE	71,000	0.01	-	-
Seet Soo Tyng	Senior Manager, Information and Communications Technology of CNIE	346,000	0.06	-	-
Teo Geok Lan	Senior Manager, Logistics and Distribution of CNIE	500,000	0.08	-	-
Wong Siew Fong	Executive Director, Operations of CNIE	1,000,000	0.17	20,214,150 ¹	3.37
Wong Sim Fatt	Senior Manager, Regional Branch Development of CNIE	280,000	0.05	-	-

Note:

1 Deemed interested by virtue of her spouse's (Tan Sia Swee) shareholdings in CNI

2. INFORMATION SUMMARY (Cont'd)

2.3 MAJOR LICENCES, PERMITS AND REGISTRATIONS

The CNI Group currently holds various licences and permits under its operating subsidiaries. A summary of the major licences and permits is as follows:

Company	Approving Authority	Type of licence	Date of issuance / validity
CNIE	MDTC	Direct sales licence	11.08.2004/ 12.08.2004 to 11.08.2009
CNIE	Islamic Development Department of Malaysia ("IDDM")	Certificate of authentication that its raw materials for the production of certain beverages complies with the "HALAL" requirements under Islamic Law	15.06.2004/15.06.2004 to 14.06.2006
CNIE	IDDM	Certificate of authentication that certain of its raw materials for the production of certain beverages complies with the "HALAL" requirements under Islamic Law	15.06.2004/15.06.2004 to 14.06.2006
CNIE	IDDM	Certificate of authentication that certain of its raw materials for the production of certain personal care products complies with the "HALAL" requirements under Islamic Law	15.09.2004/15.09.2004 to 14.09.2006
CNIE	IDDM	Certificate of authentication that certain of its raw materials for the production of certain personal care products complies with the "HALAL" requirements under Islamic Law	15.09.2004/15.09.2004 to 14.09.2006
CNIE	IDDM	Certificate of authentication that certain of its raw materials for the production of certain personal care products complies with the "HALAL" requirements under Islamic Law	15.09.2004/15.09.2004 to 14.09.2006
CNIE	MoH	Import licence for the importation, sale as wholesaler or retail or supply of certain products	27.12.2004/01.01.2005 to 31.12.2005
CNIE	MoH	Conduct wholesale business at Lot No. C6, Lorong Tembaga Tiga, Kawasan MIEL KKIP, Jalan Sepagar, Menggatal, 88450, Kota Kinabalu, Sabah	01.07.2004/01.07.2004 to 30.06.2005 *
CNIE	MoH	Conduct wholesale business at No. 2, Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor	01.07.2004/01.07.2004 to 30.06.2005 *
CNIE	MoH	Lot 9392, Sek 64, Jalan Pending, 93450 Kuching, Sarawak	01.07.2004/01.07.2004 to 30.06.2005 *
CNIE	Ministry of Home Affairs (Publication Control Unit) ("MHA")	Publication Permits in relation to the CNI News – Chinese & English Issue	15.04.2005/01.04.2005 to 31.03.2006

2. INFORMATION SUMMARY (Cont'd)

Company	Approving Authority	Type of licence	Date of issuance / validity
CNIE	MHA	Publication Permits in relation to the CNI News –Bahasa Malaysia & English Issue	15.04.2005/16.06.2005 to 15.06.2006
EM	MITI	Manufacturing licence for the production of instant beverages	28.06.2003/ Since 31.03.2003
EM	DCA, MoH	Manufacturer's licence with GMP accreditation from MoH	30.12.2004/ 01.01.2005 to 31.12.2005
EM	Islamic Religious Council of Selangor Malaysia	Certificate of authentication that the Tongkat Ali Powder has fulfilled the Hukum Syarak	30.09.2004/30.09. 2004 to 29.09.2006
EM	Islamic Religious Council of Selangor Malaysia	Certificate of authentication that the Coffee with Tongkat Ali has fulfilled the Hukum Syarak	04.12.2003/ 04.12.2003 to 03.12.2005
EM	Kastam dan Eksais Diraja Malaysia	Licence under the Sales Tax Act- Manufacturer's Licence	08.02.2002/ Since 25.03.1991
Q-Pack	DCA, MoH	Manufacturer's licence with GMP accreditation from MoH	30.12.2004/ 01.01.2005 to 31.12.2005
Q-Pack	MITI	Manufacturing licence for the production of laundry powder, shampoo, toothpaste, facial cleanser and intimate wash	11.12.2003/ Since 15.09.2003
Q-Pack	Kastam dan Eksais Diraja Malaysia	Licence under the Sales Tax Act- Manufacturer's Licence	10.03.2004/ Since 23.07.1998

Note:

* *The renewal applications for these licences were made on 13 April 2005 and as at the date of this prospectus, the renewal applications are pending the approval from MoH*

For further details on the major licences, permits and registrations of the CNI Group, please refer to Section 10 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.4 FINANCIAL HIGHLIGHTS

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 6-month financial period ended 31 December 2003. The following table sets out a summary of the Group's proforma audited consolidated financial statements for the past 4 FYE 30 June 2003, audited consolidated financial statements for the 6-month financial period ended 31 December 2003 and the audited consolidated financial statements for the FYE 31 December 2004. The consolidated profit and dividend records are prepared 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 13 of this Prospectus.

	← FYE 30 June →				6-month financial period ended 31 December 2003	FYE 31 December 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 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
Number of Shares assumed in issued ('000)	600,000	600,000	600,000	600,000	600,000	600,000
Gross EPS (sen)	1.00	2.93	6.81	7.77	4.67 ¹	9.91
Net EPS (sen)	0.72	2.19	4.65	5.65	3.35 ¹	7.08
Gross dividend rate (%)	-	-	2,175.00 ²	247.84 ³	1,006.94 ⁴	2,180.00 ⁵

2. INFORMATION SUMMARY (Cont'd)

Notes:

- 1 On the annualised basis, the gross EPS is 9.33 sen and the net EPS is 6.69 sen.
- 2 This represents an interim dividend of 2,175.00% less income tax at 28.00% amounted to RM37,584,000 (based on issued and paid-up share capital of 2,400,000 ordinary shares of RM1.00 each) for the FYE 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 capital of 2,400,000 ordinary shares of RM1.00 each as at 11 March 2003) amounted to RM483,840 and RM5,276,160 respectively for the FYE 30 June 2003.
- 4 This comprise an interim dividend of 1,006.94% 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 as at 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 as at 31 December 2004) amounted to RM42,332,112 for the financial year ended 31 December 2004.
- 6 There was no extraordinary item as defined in the FRS108 (previously known as Malaysian Accounting Standards Board Standard 3) on "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" for all the financial years/period under review.
- 7 There was no minority interest for all the financial years/period under review.
- 8 For the FYE 30 June 2000, the total operating revenue of the Group increased 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 turnaround to a PBT was mainly due to economies of scale from higher production volume for its manufacturing operations, an exceptional gain on disposal of leasehold land and building, lower administrative staff costs and lower finance costs and the absence of bad debts written off and exceptional losses on disposal of subsidiary companies in the previous financial year. The exceptional items for FYE 30 June 2000 included losses arising from the disposal of a real estate property.

The total operating revenue of the Group for the FYE 30 June 2001 increased 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 higher increase in PBT 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 from the disposal of a real estate property by the Company.

The total operating revenue of the Group for the FYE 30 June 2002 increased mainly due to a significant increase in the number of distributors, continued increase in marketing efforts by CNIE, enhancement of marketing strategy by CNIE through the implementation of a 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 Multilevel Marketing operations by CNIS in Singapore. The increase in PBT was mainly due to 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 due to 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 Group are also directors and have substantial financial interests and the absence of exceptional gain from the disposal of real estate property. The exceptional item for the financial year included a loss arising from the disposal of unquoted shares.

The total operating revenue of the Group for the FYE 30 June 2003 increased mainly due to further increase in the number of distributors, intensive advertising and promotion activities by CNIE, full year implementation of the ELDI 1% by CNIE and upgrading of the existing business development plan into a more attractive plan. The PBT did not increase in tandem with the increase in total operating revenue mainly due to a provision made for directors' retirement benefits which was implemented by the Group during the financial year. The exceptional item for the financial year was mainly attributable to a loss arising from the disposal of a subsidiary company.

2. INFORMATION SUMMARY (Cont'd)

The increase in annualised total operating revenue for the 6-month financial period ended 31 December 2003 was mainly due to the continued intensive advertising and promotion activities by CNE and the introduction of mega contests to encourage more purchases by its distributors. The increase in annualised PBT was mainly attributed to the increase in 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.

The increase in total operating revenue for the FYE 31 December 2004 as compared to the annualised total operating revenue for the 6-month financial period ended 31 December 2003 was mainly due to the increase in selling prices of certain beverages including CNI Tongkat Ali Ginseng Coffee and the introduction of a new beverage product, CNI Gold Soya. The PBT increase in tandem with the increase in the total operating revenue. The PBT margin remained the same as the PBT margin for the 6-month financial period ended 31 December 2003 of 23% although the selling prices of certain beverages have been raised in the financial year under review. This was mainly due to higher selling and distribution costs arising from incentive tours expenses incurred in the financial year under review of which effectively off-set the positive effects on the profit margin from the increase in selling prices.

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2. INFORMATION SUMMARY (Cont'd)

2.5 PROFORMA CONSOLIDATED BALANCE SHEETS OF CNI AS AT 31 DECEMBER 2004

The proforma consolidated balance sheets set out below are provided for illustrative purposes only to show the effects of the Flotation Scheme assuming that it had been effected on 31 December 2004 and should be read in conjunction with the accompanying notes included in the Proforma Consolidated Balance Sheets set out in Section 12.3 of this Prospectus.

	<----- Proforma ----->			
	(I)	(II)	(III)	
Audited Group As At 31.12.2004 RM'000	Group After Share Split RM'000	After Proforma (I) and Bonus Issue RM'000	After Proforma (II), EES and Offer for Sale RM'000	
NON-CURRENT ASSETS				
Property, plant and equipment	56,657	56,657	56,657	56,657
Capital work-in-progress	2,756	2,756	2,756	2,756
Investment properties	8,356	8,356	8,356	8,356
Deferred tax assets	1,926	1,926	1,926	1,926
Goodwill on consolidation	123	123	123	123
CURRENT ASSETS	85,813	85,813	85,813	84,313
LESS: CURRENT LIABILITIES	81,921	81,921	81,921	81,921
NET CURRENT ASSETS	3,892	3,892	3,892	2,392
	73,710	73,710	73,710	72,210
CAPITAL AND RESERVES				
Share Capital	2,697	2,697	60,000	60,000
Reserves	61,830	61,830	4,527	3,027
SHAREHOLDERS' EQUITY	64,527	64,527	64,527	63,027
NON-CURRENT LIABILITIES	9,183	9,183	9,183	9,183
	73,710	73,710	73,710	72,210
Net tangible assets	64,404	64,404	64,404	62,904
Net tangible assets per share (RM)	23.88 ⁽¹⁾	2.39 ⁽²⁾	0.11 ⁽²⁾	0.10 ⁽²⁾

Notes:

(1) Per ordinary share of RM1.00

(2) Per ordinary share of RM0.10

2. INFORMATION SUMMARY *(Cont'd)*

2.6 AUDIT QUALIFICATIONS

There was no qualification reported in the audited financial statements of any of the companies within the CNI Group for the years/period under review. Detailed information on the financial performance of the CNI Group is set out in Section 13 of this Prospectus.

2.7 PRINCIPAL STATISTICS RELATING TO THE OFFER FOR SALE

2.7.1 Share capital

	RM
Authorised 1,000,000,000 ordinary shares of RM0.10 each	<u>100,000,000</u>
Issued and fully paid-up 600,000,000 ordinary shares of RM0.10 each	<u>60,000,000</u>
To be offered pursuant to the Offer for Sale 83,892,900 ordinary shares of RM0.10 each	<u>8,389,290</u>
To be offered pursuant to the EES 7,107,100 ordinary shares of RM0.10 each	<u>710,710</u>

There is only one class of shares in CNI, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with each other. The Offer Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

For further details on the share capital of CNI, please refer to Sections 6.2 of this Prospectus.

2.7.2 Offer price for each Offer Share RM0.90

2.7.3 Proforma consolidated NTA as at 31 December 2004

The following information has been extracted from and should be read in conjunction with the accompanying notes included in the proforma consolidated balance sheets set out in Section 12.3 of this Prospectus.

Proforma consolidated NTA <i>(after the Offer for Sale and deducting estimated listing expenses of RM1,500,000)</i>	RM62,904,000
Proforma consolidated NTA per Share <i>(based on the enlarged issued and paid-up share capital of 600,000,000 Shares)</i>	RM0.10

2. INFORMATION SUMMARY (Cont'd)

2.7.4 Consolidated profit forecast

The following table sets out a summary of the consolidated profit forecast of CNI for the FYE 31 December 2005 and should be read in conjunction with the accompanying notes included in the consolidated profit forecast set out in Section 12.2.1 of this Prospectus.

FYE 31 December	Forecast 2005
Turnover (RM'000)	317,085
Consolidated PBT (RM'000) ¹	66,221
Taxation (RM'000)	(17,876)
Consolidated PAT (RM'000) ¹	48,345
Issued and paid-up share capital	
- number of Shares in issue ('000)	600,000
- weighted average number of Shares in issue ('000) ²	600,000
Basic EPS	
- gross EPS (sen)	11.04
- net EPS (sen)	8.06
Basic PE Multiple	
- gross PE Multiple (times) ³	8.15
- net PE Multiple (times) ³	11.17

Notes:

1 *There is no minority interest*

2 *Based on Shares after retrospective adjustments for the effects of the Bonus Issue and the Share Split*

3 *Computed based on offer price of RM0.90 per Share*

2.7.5 Dividend forecast

On the basis of the forecast consolidated PAT and on the assumption that the present basis for calculating taxation and the taxation rates remain unchanged, the Directors of CNI will propose to declare dividends of at least 50% of the consolidated PAT for the FYE 31 December 2005.

In this respect, the following table sets out a summary of the dividend forecast for the FYE 31 December 2005 and should be read in conjunction with the accompanying notes included in the dividend forecast set out in Section 12.2.5 of this Prospectus.

FYE 31 December	Forecast 2005
Dividend per Share (sen)	
- Gross dividend per Share	5.60
- Net dividend per Share	4.03
Dividend yield (%)*	
- Gross dividend yield	6.22
- Net dividend yield	4.48
Net dividend cover (times)	2.00

Note:

* *Based on the offer price of RM0.90 per Share*

2. INFORMATION SUMMARY *(Cont'd)*

2.8 RISK FACTORS

Applicants for the Offer Shares should carefully consider the following risk factors (which may not be exhaustive) from Section 4 of this Prospectus in addition to the other information contained elsewhere in this Prospectus, before applying for the Offer Shares:

- Competition;
- Foreign market risk and foreign currency fluctuation risk;
- Dependence on key personnel;
- Reliance on key distributors;
- Potential negative impact of distributor actions;
- Dependence on principal products;
- Business risk;
- Control by existing shareholders;
- Relationship with and reliance on CNI Corp, CNI Venture, CNI IPHC and Citra Nusa;
- Product liability;
- System failures;
- Insurance coverage;
- Disruption to manufacturing operations;
- Economic, political and regulatory risks;
- Licensing risk;
- Profit forecast and forward looking statements;
- Failure / delay in the listing;
- No prior market for the Shares; and
- Capital market risks.

For details on these risk factors, please refer to Section 4 of this Prospectus.

2.9 UTILISATION OF PROCEEDS

The total gross proceeds arising from the Offer for Sale will accrue entirely to the Offerors.

No proceeds from the Offer for Sale are receivable by CNI. The Offerors shall bear all expenses including underwriting and selling commission, registration, brokerage, stamp duty and transfer fees relating to the Offer Shares.

CNI will bear all expenses incidental to the listing of and quotation for the Shares on the Main Board of Bursa Securities, including professional fees, the SC's fees, Bursa Securities' fees, printing and advertising costs and other fees. The aggregate estimated expenses to be borne by CNI are estimated to be approximately RM1,500,000.

2. INFORMATION SUMMARY (Cont'd)

2.10 MATERIAL LITIGATION, MATERIAL CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**(a) Material litigation**

- (i) EM had on 11 December 2003 filed a suit against Titular Roman Catholic Archbishop of Kuala Lumpur ("the Defendant") for trespass on EM's property known as Lot 172, Hicom-Glenmarie Industrial Park, Shah Alam ("Lot 172") and commencement of construction thereon. Lot 172 is currently subject to compulsory acquisition by the Selangor State Government but EM has not received any notice from the relevant land office in respect of the award of compensation for or the taking of formal possession of Lot 172 by the relevant authorities.

The application for pretrial case management was filed and was due to be heard on 18 January 2005. However on the said date, the case was not listed. The case was however listed for mention together with the matter listed as (ii) below on 3 March 2005. The matter has been fixed for mention on 22 August 2005 together with the matter listed (ii) below.

According to EM's solicitors, the outcome of this case is therefore dependent on the outcome of the matter disclosed under (ii) below.

- (ii) Further to the litigation matter in (i) above, EM had on 23 December 2003 filed an application for judicial review at the Shah Alam High Court in relation to the compulsory acquisition of Lot 172. The court had heard the application for leave of judicial review on 4 February 2004 and had granted EM leave for hearing of the substantive application.

The matter came up for mention on 3 March 2005. On the application of the Federal Counsel, the matter was adjourned to 22 August 2005 pending settlement between the parties. EM's solicitors had also received the original letter of undertaking from the Land Administrator dated 10 December 2004 undertaking that no acquisition process or alienation of Lot 172 will be made pending the decision or such further order of the Shah Alam High Court.

The Directors are of the opinion that EM would be able to arrive at an amicable settlement with Pejabat Tanah dan Galian and the Land Administrator (Petaling).

- (iii) A suit was filed at the Kota Bahru High Court against CNIE by Mohammad Zamri Bin Wan Chik ("Zamri") on 5 February 2005 for his alleged wrongful termination as CNIE's distributor and sales point operator. Zamri is seeking for a declaration that the said termination is null and void and is claiming for special damages amounting to RM16,238,812.32 general damages and exemplary damages from CNIE. Zamri's application for an interlocutory injunction against CNIE to prohibit CNIE from terminating his appointment was heard on 1 March 2005 and dismissed with costs. CNIE has on 27 February 2005 filed its defence and counterclaim (which was subsequently amended on 11 March 2005 due to typographical errors) and sought for an injunction to restrain Zamri against (i) threatening its distributors; (ii) distributing its products and (iii) holding himself out as its distributor and sales point operator and counterclaiming for damages amounting to RM129,746.36, general damages, exemplary damages, interest and costs. Zamri's reply and defence to the counterclaim was received by CNIE's solicitors on 11 March 2005. The matter is fixed for pre-trial case management on 6 July 2005.

According to CNIE's solicitors, CNIE terminated Zamri's appointment on the grounds of breach of the Distributor's Rules and Regulations and CNIE has proof of the said breach. If the Court accepts the fact, then Zamri's claim would fail.

2. INFORMATION SUMMARY (Cont'd)

(b) Material capital commitments

As at 31 May 2005 (being the latest practicable date of which such amounts could be calculated prior to the registration of this Prospectus), the material capital commitments incurred or known to be incurred by the CNI Group that may have a substantial impact on the results of the financial position of the Group are as follows:

	RM '000
Approved and contracted for	3,047
Approved and not contracted for	11,359
Total	<u>14,406</u>

For details on these material capital commitments, please refer to Section 12.1.3(d) of this Prospectus.

(c) Contingent liabilities

As at 14 June 2005, the Directors of CNI are not aware of any contingent liabilities save as disclosed below:

- (i) CNI had on 23 December 2001 made an appeal to the Inland Revenue Board for a dispute in tax liabilities computation amounting to RM652,393 for the Year of Assessment 1996-2000. As at the latest practicable date prior to the printing of this Prospectus, the Inland Revenue Board has not reverted in respect of the appeal; and
- (ii) An ex-employee of CNIE had taken a legal action against CNIE for alleged constructive dismissal. The claim was filed on 10 November 2003. The claimant is suing for the reinstatement of his position in CNIE together with all emoluments which he will be entitled to as an employee of CNIE. No amount has been quantified pending the outcome of the hearing. The matter is fixed for hearing on 26 and 27 October 2005.

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3. PARTICULARS OF THE OFFER FOR SALE AND EES

3.1 PRELIMINARY

This Prospectus is dated 28 June 2005.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares as a prescribed security. In consequence thereof, the Offer Shares will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Approval-in-principle has been obtained from Bursa Securities on 9 August 2004 for the admission of CNI to the Official List of the Main Board of Bursa Securities and for permission to deal in and for the quotation of the entire issued and paid-up share capital of the Company, including the Offer Shares which are the subject of this Prospectus. The entire issued and paid-up share capital of CNI will be admitted to the Official List of the Main Board of Bursa Securities and official quotation will commence after the receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and despatched to all the successful applicants.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications **MUST** have a CDS Account. Where an applicant does not presently have a CDS Account, he/she should open a CDS Account at an ADA prior to making an application for the Offer Shares.

In the case of an application by way of Application Forms, an applicant must state his CDS Account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by way of keying in his CDS Account number if the instruction on ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Offer Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by CNI, the Offerors or the Adviser. Neither the delivery of this Prospectus nor any Offer for Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of CNI or the Group since the date of this Prospectus.

The distribution of this Prospectus and the sale of the Offer Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any Offer Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

If you are in any doubt about this Prospectus, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

3.2 OPENING AND CLOSING OF APPLICATION

Application for the Offer for Sale will be accepted from 10.00 a.m. on 28 June 2005 and will be closed at 5 p.m. on 18 July 2005 or for such further period or periods as the Directors of the Company, the Offerors and the Underwriter in their absolute discretion may mutually decide. Late applications will not be accepted.

3.3 CRITICAL DATES

The indicative timing of events leading up to the listing of and quotation for the entire issued and paid-up share capital of the Company of 600,000,000 Shares on the Main Board of Bursa Securities is set out below:

Event	Tentative Date
Opening of the Offer for Sale and EES	28 June 2005
Closing of the Offer for Sale and EES	18 July 2005
Balloting of applications for Shares pursuant to the Offer for Sale	21 July 2005
Allotment of Shares	28 July 2005
Listing of and quotation for the Company's entire issued and paid-up share capital on the Main Board of Bursa Securities	4 August 2005

The application for the Offer for Sale will close at the time and date as stated above or such other date as the Directors of the Company, the Offerors and the Underwriter in their absolute discretion may mutually decide.

Any extension of the abovementioned dates will be published in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

3.4 SHARE CAPITAL

	RM
Authorised	
1,000,000,000 ordinary shares of RM0.10 each	<u>100,000,000</u>
Issued and fully paid-up	
600,000,000 ordinary shares of RM0.10 each	<u>60,000,000</u>
To be offered pursuant to the Offer for Sale	
83,892,900 ordinary shares of RM0.10 each	<u>8,389,290</u>
To be pursuant to the EES	
7,107,100 ordinary shares of RM0.10 each	<u>710,710</u>

There is only one class of shares in CNI, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with each other. The Offer Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of liquidation of the Company.

3. PARTICULARS OF THE OFFER FOR SALE AND EES *(Cont'd)*

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder, shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held by them. A proxy needs to be a member of the Company.

3.5 DETAILS OF THE OFFER FOR SALE AND EES

The Offer for Sale and EES are subject to the terms and conditions of this Prospectus. Details of the Offer for Sale and the EES are as follows:

3.5.1 Offer for Sale

(a) **Eligible Directors, employees, distributors and persons who have contributed to the success of the CNI Group**

19,892,900 Offer Shares have been reserved for application by the eligible Directors, employees, distributors and persons who have contributed to the success of the CNI Group.

The Offer Shares in respect of (a) are allocated as follows:

- (i) 6 Directors of the CNI Group have been allocated an aggregate of 1,290,000 Offer Shares.
- (ii) The 412 eligible employees of the CNI Group as at 14 June 2005 have been allocated an aggregate of 4,734,900 Offer Shares. The criteria of allocation of the Offer Shares reserved for eligible employees of the CNI Group has been based on the performance, seniority, length of service and any other basis the directors deemed fit.
- (iii) The 9,248 eligible distributors of the CNI Group as at 14 June 2005 have been allocated an aggregate of 12,000,000 Offer Shares. The criteria of allocation of the Offer Shares reserved for distributors of the CNI Group has been based on:
 - the ranking of the distributors during a qualifying period determined by the Directors of the Company; and
 - a minimum level of points earned each month during the above qualifying period under CNIE's Multilevel Marketing scheme (based on monthly sales made).
- (iv) The persons who have contributed to the success of the CNI Group have been allocated an aggregate of 1,868,000 Offer Shares. The criteria of allocation of the Offer Shares reserved for persons who have contributed to the success of the CNI Group has been based on their contribution to the CNI Group.

(b) **Identified investors by way of private placement**

34,000,000 Offer Shares will be made available for application by identified investors, of which at least 30% is made available, to the extent possible, to Bumiputera investors; and

(c) **Malaysian public**

30,000,000 Offer Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside, to the extent possible, for Bumiputera applicants.

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

Any Offer Shares not taken up by the eligible directors, employees, distributors and persons who have contributed to the success of the CNI Group will first be made available for application to identified investors in respect of paragraph (b) above. Any Offer Shares still not taken up by the identified investors shall be made available for application to the Malaysian public as stated in paragraph (c) above.

The Offer Shares in respect of paragraph (a) that are not subscribed for by the eligible Directors, employees, distributors and persons who have contributed to the success of the CNI Group and paragraph (c) above are underwritten. No underwriting is required in respect of the Offer Shares under paragraph (b) above as the Placement Agent has received irrevocable undertakings for the subscription of the entire Offer Shares under the said paragraph.

There is no minimum subscription amount to be raised from the Offer for Sale.

3.5.2 Employee Equity Scheme

Concurrent with the Listing and to facilitate the CNI Group Employees' equity participation in the Group, CNI, together with CSSB, will establish an employee equity scheme for the CNI Group Employees to reward their contribution to the CNI Group. CSSB is the special purpose company formed to consolidate the offering of EES Shares by several shareholders of CNI to the CNI Group Employees pursuant to the EES.

The salient terms of the EES are as follows:

- (i) To participate in the EES, each eligible employee or director of the CNI Group ("Employees") will be required to pay RMI as acceptance of the EES Shares offered pursuant to the terms of the EES ("Entitlement"). With the payment of RMI by each Employee, he/she is deemed to have accepted CSSB's offer to sell the EES Shares to him/her *vide* the EES and legal ownership to those EES Shares would pass from CSSB to the Employee.
- (ii) Entitlements which are not accepted by certain Employees will be re-allocated to the remaining Employees at the discretion of CSSB in consultation with the EES committee.
- (iii) On the allotment date for the Offer for Sale, MIH will allocate the EES Shares under the EES to the respective Employees who will participate in the EES according to their Entitlements.
- (iv) The EES shall commence from the date of this Prospectus and expire on the date falling 5 years therefrom ("EES Period").
- (v) As the Employees have not paid for their EES Shares at the point of acceptance of Entitlements, the Employees will be required, as part of the EES to do, *inter-alia*, the following:
 - assign all cash dividends which are made by CNI prior to the exercise of the Entitlements to CSSB. The assignment is in respect of cash dividends only and does not include any other distributions by CNI such as non-cash dividends, bonus shares and rights entitlements. Further, the said assignment will not affect the Employees' other right to vote and the right to sell their EES Shares;
 - open a CDS Account with a nominee company ("Nominee") with whom their Entitlements will be allotted by MIH; and
 - provide an irrevocable undertaking that they will not transfer their Shares in their CDS Accounts with the Nominee to any other CDS Accounts unless such CNI Shares have been paid for in accordance with the terms and conditions of the EES.

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

- (vi) As the Employees have not paid for their EES Shares at the point of acceptance of their Entitlements, a charge and/or encumbrance will be created over the EES Shares and all cash distributions relating thereto in favour of CSSB.
- (vii) The Strike Price will be on a step-up basis starting with a price equivalent to the offer price of RM0.90 per Offer Share and shall increase every year commencing 1 year after the date of this Prospectus as follows:

Timing	Year 1	Year 2	Year 3	Year 4	Year 5
Strike Price (RM)	0.90	0.97	1.05	1.13	1.22

- (viii) The Employees will only be allowed to exercise the Entitlements subject to the following limits:

Maximum Percentage of EES Shares in respect of which the Entitlement is Exercisable in Each Year					
Year 1	Year 2	Year 3	Year 4	Year 5	
20%*	20%*	20%*	20%*	20%**	20%**

Note:

* Where the percentage is not fully utilised within a particular year, the percentage not utilised shall be carried forward to the next year and shall not be subject to the maximum percentage for the next year.

** 20% or the remaining number of CNJ Shares unexercised thus far

- (ix) The Employees shall have 2 options to exercise the Entitlements:

Option 1 – Election to Sell the Shares

The Employees may sell their Shares in the open market (subject to the maximum percentage of Entitlements stipulated in (viii) above) (“Disposal”). After the Disposal, the stockbroker (acting under the instructions of Nominee) shall pay the Strike Price to CSSB for the EES Shares sold immediately upon receipt of the proceeds from the Disposal. Thereafter, the stockbroker shall release the balance proceeds from the Disposal to the Employees (less the total Strike Price and relevant transaction costs in connection with the sale).

The minimum selling price for any sale of the Shares by the Employees will be an amount equivalent to the aggregate of the Strike Price and the transaction costs relating to such sale at the point of issuing the selling instructions.

Option 2 – Election to Purchase the Shares

The Employees may instruct the Nominee to transfer their Shares held by the Nominee to the Employees’ individual CDS Accounts (subject to the maximum percentage of Entitlements stipulated in (viii) above) by paying an amount equivalent to the aggregate of the total Strike Price and the transaction costs to the Nominee (“Transfer”). After the Transfer, the Nominee shall credit the Employees’ CDS Accounts with the Shares within 5 Market Days from the exercise of Entitlements and release the proceeds received from the Employees in respect of the Transfer to CSSB.

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

- (x) In the event of any Capital Distribution (as defined hereunder), rights issues, consolidation of shares or capital reduction exercises by CNI during the EES Period, CSSB may, as it deems fit, adjust the Employees' Entitlement and/or the Strike Price to ensure that the Employees continue to enjoy an equitable proportion of the capital of CNI.

For the purpose of the EES, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares. Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless the aggregate dividends for the financial year is less than 5% of the nominal value of the Shares.

- (xi) In the event the Employee (a) leaves the employment of the CNI Group or (b) becomes bankrupt, the following shall occur:
- (aa) the Employees shall transfer and the Nominee shall be entitled to transfer the unexercised EES Shares from the Employees' CDS Accounts to other Employees (subject to an Employee's Entitlement not exceeding 5% of CNI's issued share capital upon re-allocation) as may be directed by CSSB within 15 Market Days after the last day of the Employee's employment; or
 - (bb) the Nominee shall be entitled to transfer the unexercised Shares from the Employees' CDS Accounts back to CSSB as may be directed by CSSB in order for the unexercised EES Shares to be sold on Bursa Securities or be placed out to investors who are deemed to be public within 15 Market Days after the last day of the Employees' employment and the net proceeds of such disposals shall accrue to CSSB.

Provided always that if such event occurs by reason of:

- (aa) retirement on attaining the retirement age under CNI Group's retirement policy;
- (bb) retirement before attaining the normal retirement age but with the consent of CNI;
- (cc) ill health, accidents, injury, physical disability;
- (dd) mental disability or death;
- (ee) retrenchment;
- (ff) transfer to any company outside the CNI Group at the discretion of the CNI; or
- (gg) any other circumstances which are acceptable to the EES committee;

the Employees or their next of kin (as the case may be) may apply in writing to CNI for approval to continue to hold on to the Entitlements or the balance thereof until the expiry of the EES Period.

- (xii) On the expiry of the EES Period, any EES Shares in the EES not sold or purchased by the Employees would be transferred back to CSSB *via* an approved transfer of securities in accordance with the Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991. These shares may be sold on Bursa Securities or placed out to investors who are deemed to be public at the prerogative of CSSB.
- (xiii) The allocation of the Entitlements shall be based on the performance, seniority and length of service of the Employees.

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

3.6 DETAILS ON PINK FORMS AND EES ALLOCATIONS

The details of the Directors of CNI with their respective allocations under the pink form and EES category are set out below:

Name of Directors	Pink form allocations	EES allocation
(Dr) Koh Peng Chor	-	-
Tan Sia Swee	-	-
Chew Boon Swee	-	-
Cheong Chin Tai	300,000	700,000
Law Yang Ket	-	-
Thiang Kai Goh	-	-
Aggie Chew Poh Lian	-	-
Zulkifli Bin Mohamad Razali	-	-
Total	300,000	700,000

3.7 PURPOSES OF THE FLOTATION SCHEME

The main purposes of the Flotation Scheme are as follows:

- (a) to enhance the stature and corporate profile of the CNI Group. As a Multilevel Marketing company, the listing can help CNI to create greater public awareness and corporate visibility of the CNI Group through media and publicly filed documents. This will provide indirect benefits such as creating brand awareness, instilling confidence and pride amongst its business partners, distributors, customers and employees;
- (b) to provide an opportunity for the Malaysian investing public and institutions, eligible Directors, employees, distributors and persons who have contributed to the success of the CNI Group to participate in the continuing growth of the Group by way of equity participation.

The EES is a variant of the traditional "pink form share" issued to employees and directors as part of a listing exercise. The EES is envisaged to enhance and promote the achievement of common goals between the Company, its shareholders and CNI Group Employees. Participation in the EES provides major incentives for the CNI Group Employees to increase productivity and share the rewards of the success of the CNI Group. More importantly, the EES is a strategy for CNI to retain its employees;

- (c) to enable the CNI Group to gain access to the capital markets for funds to finance its future expansion and continued growth; and
- (d) to obtain a listing of and quotation for the entire issued and paid-up share capital of CNI on the Main Board of Bursa Securities.

3. PARTICULARS OF THE OFFER FOR SALE AND EES *(Cont'd)*

3.8 BASIS OF ARRIVING AT THE OFFER PRICE AND STRIKE PRICE(S) FOR THE EES

3.8.1 Offer Price

The offer and placement price of RM0.90 per Share was determined and agreed upon by the Company and RHB Sakura as the Underwriter and Placement Agent based on various factors after taking into account the following:

- (i) the forecast net PE Multiple of approximately 11.17 times *(Note 1)*;
- (ii) the Group's operating and financial history as outlined in Sections 6 and 12 respectively of this Prospectus;
- (iii) the prospects of the industry as outlined in Section 5 of this Prospectus; and
- (iv) the prevailing equity market conditions.

Note:

1 Based on the forecast consolidated net EPS of CNI of approximately 8.06 sen for the FYE 31 December 2005 (which is calculated based on the forecast consolidated PAT and on the weighted average number of Shares in issue) and the offer and placement price of RM0.90 per Share

However, investors should also take note that the market price of the Shares upon and subsequent to the listing of CNI on the Main Board of Bursa Securities are subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded.

3.8.2 Strike(s) Price

The Strike Price will be on a step-up basis starting with the offer price of RM0.90 per EES Share and shall increase every year commencing 1 year after the date of the Prospectus during the EES Period as set out in Clause (vii), Section 3.5.2 of this Prospectus.

3.9 UTILISATION OF PROCEEDS

The Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting to RM75.50 million will accrue entirely to the Offerors.

3.10 BROKERAGE, UNDERWRITING COMMISSION AND ESTIMATED LISTING EXPENSES

(a) Brokerage

Brokerage relating to the Offer Shares is payable by the Offerors at the rate of 1.0% of the offer price of RM0.90 per Offer Share in respect of successful applications which bear the stamps of RHB Sakura, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

(b) Underwriting commission

The underwriter has agreed to underwrite the 30,000,000 Offer Shares which are available for application to the Malaysian public and such number of up to 19,892,900 Offer Shares which are available for application by the eligible Directors, employees, distributors and persons who have contributed to the success of the CNI Group. Underwriting commission is payable by the Offerors at the rate of 1.25% of the offer price of RM0.90 per Offer Share.

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

(c) **Placement fee**

The Placement Agent's fee for the placement of 34,000,000 Offer Shares is payable by the Offerors at the rate of 0.25% or 1.70% on the offer price of RM0.90 per Offer Share based on the terms and conditions of the placement agreement.

(d) **Estimated listing expenses**

The estimated listing expenses for the listing of and quotation for the entire issued and paid-up shares capital of CNI on the Main Board of Bursa Securities are as follows:

	RM
Professional advisory fees	850,000
Fees to authorities and MIH	201,500
Advertising and printing costs	300,000
Other incidental charges	148,500
	<u>1,500,000</u>

These expenses are expected to be fully paid within one month from the completion of the Offer for Sale.

3.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

An underwriting agreement ("Agreement") has been entered into between the Company, RHB Sakura and the Offerors, on 3 June 2005 to underwrite the Offer Shares mentioned in Sections 3.5.1 above. In accordance with the Agreement, RHB Sakura as the sole underwriter has agreed to underwrite 30,000,000 Offer Shares to be offered to the Malaysian public and any unsubscribed Offer Shares to be offered to the eligible Directors, employees, distributors and persons who have contributed to the success of the CNI Group upon the terms and conditions contained in the Agreement for an underwriting commission of 1.25% of the offer price.

The salient terms of the Agreement are reproduced as follows:

Underwriting of the Underwritten Shares

Clause 7.1

"In consideration of the Underwriting Commission to be paid by the Offerors to the Underwriter hereinafter referred to in Clause 13.1 hereof, the Underwriter relying upon each of the representations and warranties set out in Clause 1 hereof have agreed to underwrite the Underwritten Shares set out in the Second Column of Schedule 2 of this Agreement and having a total value as set out in the Third Column of Schedule 2 hereto and any unsubscribed portion of the Pink Form Shares to be determined at the Closing Date."

Conditions Precedent

Clause 5.1

"5.1 The several obligations of the Underwriter under this Agreement shall further be conditional upon:-

- (a) the Listing having been approved by the the SC, MITI, and/or any other relevant authority or authorities, and the members of the Company at an extraordinary general meeting;
- (b) Bursa Securities having agreed in-principle on or prior to the Closing Date of the listing and quotation for all the Issued Shares on the Main Board of Bursa Securities

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

(and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriter);

- (c) there not having been on or prior to the Closing Date, any adverse change or any development reasonably likely to involve a prospective adverse change in the financial position, business operations or condition (financial or otherwise) of the Company, from that set forth in the Prospectus which is material in the context of the issuance of the Underwritten Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid in any of the representations, warranties and undertaking contained in Clause 1.1 hereof as though they had been given or made on such date;
- (d) the registration of the Prospectus, together with copies of all documents required, with the SC, in any event within Sixty (60) Market Days (hereinafter defined) from the date of this Agreement or such other date which the Company and the Underwriter may agree in writing; and
- (e) lodgement with the ROC of the Prospectus in accordance with the requirements of the Securities Commission Act, 1993 and the Companies Act, 1965 of Malaysia together with copies of all documents required by the Companies Act, 1965 and the acknowledgement by the ROC of the Prospectus.

If any of the foregoing conditions is not satisfied on or before the Closing Date, the Underwriter shall thereupon be entitled, subject as mentioned below, to terminate this Agreement and in that event (except for the liability of the Offerors for the Underwriting Commission (hereinafter defined) pursuant to Clause 13 and payment of costs and expenses by the Company and the Offerors as provided in Clause 16.4 hereof incurred prior to or in connection with such termination), the parties hereto shall be released and discharged from their obligations thereunder Provided That the Underwriter may at its discretion waive compliance with any of the provisions of this Clause."

Termination by Underwriter

Clause 6.1

"Notwithstanding anything herein contained, the Underwriter may at any time before the Closing Date terminate, cancel and withdraw its obligation to underwrite the Underwritten Shares under this Agreement by notice in writing delivered to the Offerors' representative pursuant to Clause 16.5 below and/or the Company if in the opinion of the Underwriter:

- (a) there is any breach by the Offerors and/or the Company of any of the representations, warranties or undertakings contained in Clause 1 or which is contained in any certificate, statement or notice provided under or in connection with this Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or
- (b) there is failure on the part of the Offerors and/or the Company to perform any of its fundamental obligations herein contained; or
- (c) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Listing, or the distribution or sale of the Offer for Sale Shares; or
- (d) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

- (e) there occurs any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties or undertakings of the Offerors and/or the Company herein contained; or
- (f) there shall have occurred, or happened any of the following circumstances:
- (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;
 - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or
 - (iii) the average Bursa Securities Composite Index for Three (3) consecutive Market Days falls below Eight Hundred (800) points on or before the Closing Date,

which would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Listing, or the distribution or sale of the Offer for Sale Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.”

Termination By The Company And/Or The Offerors

Clause 6A

“6A.1 Notwithstanding anything herein contained, the Company and/or the Offerors may at any time prior to the issuance of the Prospectus for the Listing terminate, cancel and withdraw its obligation under this Agreement by notice in writing delivered to the Underwriter pursuant to Clause 16.5 if in the opinion of the Company and/or the Offeror that:

- (i) the average Bursa Securities Composite Index for Three (3) consecutive Market Days falls below Eight Hundred (800) points; or
- (ii) there is a default in all or any of the Underwriter’s obligations as provided under or in connection with this Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company and/or the Offeror to remedy the same.”

Payment of Underwriting Commission

Clause 13.1

“13.1 The Underwriter shall be entitled to receive an underwriting commission calculated as follows:

- (i) One point Two Five per centum (1.25%) of the aggregate value of the Public Offer Shares calculated at the Offer Price of RM0.90 per share as set out as per Fourth Column of Schedule 2; and
- (ii) One point Two Five per centum (1.25%) of the value of the Unsubscribed Pink Form Shares calculated at the Offer Price of RM0.90 per share, if any

(hereinafter collective referred to as “the Underwriting Commission”)

3. PARTICULARS OF THE OFFER FOR SALE AND EES (Cont'd)

Clause 13.2

“The Underwriting Commission shall remain payable by the Offerors to the Underwriter notwithstanding that this Agreement shall be lawfully terminated or cease to be of any effect for any reason, UNLESS such termination or cessation of this Agreement or the cancellation, termination or cessation of all or any of the Underwriter’s obligation:

- (i) is by virtue of a default of the Underwriter; or
- (ii) arises as a result of any of the events stipulated in Clause 6.1(f)

For avoidance of doubt, the Underwriting Commission shall remain payable notwithstanding the over-subscription of the Public Offer Shares.”

Clause 14.1

“Unless deducted under Clause 10 hereof, the Underwriting Commission hereinbefore mentioned in Clause 13 shall be payable to the Underwriter by the Offerors, or by way of a written notice from the Company to the Issuing House to deduct the Underwriting Commission from the proceeds of the Offer for Sale and remit the same directly to the Underwriters, three (3) Market Days after Listing or twenty one (21) Market Days after the Closing Date, whichever the earlier, PROVIDED ALWAYS that the Underwriter shall not be entitled to any remuneration so long as any monies which is due from them to the Company under Clause 10 of this Agreement shall remain unpaid. In the event of late payment, the Underwriter shall be entitled to charge interest at six per centum (6.0%) per annum calculated on a daily basis on the Underwriting Commission or such part thereof due and outstanding from the due date until the actual date(s) of receipt of payment.”

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