

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS

As at the date of this Prospectus, CNI has no major licences, permits or registrations. The major licences, permits and registrations of its subsidiaries, together with the conditions attached thereto and status of compliance thereon, are as follows:

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
CNIE	MDTC	Direct sales licence (Multi Level) (Licence No: AJL 93014) (Serial No: 005609)	11.08.2004/ 12.08.2004 to 11.08.2009	• This licence is not transferable without the approval of the MDTC	Met
				• The licensee shall not practise marketing schemes which have not been approved by the Direct Sales Controller;	Met
				• The licensee must obtain the approval of the Direct Sales Controller before amending any part of the marketing scheme, the list of approved products or the approved products price list;	Will be met when applicable
				• The licensee must train all distributors/members. Basic training or courses for promotion for distributors/ members must be free of charge;	Met
				• The licensee must immediately inform MDTC in the event of a change in the business address or the company's equity structure;	Will be met when applicable
				• The licensee must at all times disclose in full and accurately all information/queries requested by the Direct Sales Controller within fourteen (14) days of receipt of the letter;	Will be met when applicable
				• The licensee must publicly display the original direct sales licence in a suitable place in the management office of the company and photocopy of original licences must be publicly displayed at all the company's stockist's premises;	Met

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
				<ul style="list-style-type: none"> The licensee must return this licence to the Direct Sales Controller in the event this licence is revoked and the company ceases Multilevel Marketing activities. 	Will be met when applicable
CNIE	Islamic Development Department of Malaysia ("IDDM")	Certificate of authentication that CNI Premix Teh Halia with Ginseng, CNI Premix Ginseng Coffee with Tongkat Ali, CNI Kopi-O Ginseng, Sun-O Vit Instant Tropical Fruit Beverage, Nutri-10 Family Meal, CNI-Café and CNI Milk Tea distributed by CNIE (manufactured by EM) have complied with the "HALAL" requirements according to Islamic Law (Serial No: 001171)	15.06.2004/ 15.06.2004 to 14.06.2006	No major conditions attached	N/a
CNIE	IDDM	Certificate of authentication that CNI Gold Soya, Simanis Mango Juice Concentrate, Simanis Haw Juice Concentrate, Simanis Rose Syrup Juice Concentrate, Simanis Blackcurrant Juice Concentrate, Simanis Orange Juice Concentrate, CNI Cocoa, CNI Noni Juice, and CNI Gold	15.06.2004/ 15.06.2004 to 14.06.2006	No major conditions attached	N/a

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
CNIE	IDDM	Soya distributed by CNIE (manufactured by EM) have complied with the "HALAL" requirements according to Islamic Law (Serial No: 001170) Certificate of authentication Winz Plus toothpaste, Winz mouth wash, RJ intimate wash, RJ total clean, RJ roll on antiperspirant deodorant, RJ body lotion, RJ body scrub and RJ Shower cream distributed by CNIE (manufactured by Q-Pack) have complied with the "HALAL" requirements according to Islamic Law (Serial No: 001612)	15.09.2004/ 15.09.2004 to 14.09.2006	No major conditions attached	N/a
CNIE	IDDM	Certificate of authentication that RJ Hair Cream, RJ Hair Conditioner, RJ Moisture Rich Shampoo, RJ Herbal Rich Shampoo, RJ Moisturizer, RJ Facial Cleanser, RJ Intensive Hair Care and Babyluv Baby Shampoo distributed by CNIE (manufactured	15.09.2004/ 15.09.2004 to 14.09.2006	No major conditions attached	N/a

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration / licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
CNIE	IDDM	<p>by QP) have complied with the "HALAL" requirements according to Islamic Law (Serial No:001613)</p> <p>Certificate of authentication that Babyluv Baby Bath, Babyluv Baby Lotion, RJ Scalp Care Shampoo, CNI Skin Wash 1B, CNI Fire-Sens Mentholated Rub and CNI Fire-Sens Junior Mentholated Rub manufactured / distributed by CNIE have complied with the "HALAL" requirements according to Islamic Law (Serial No: 001614)</p>	15.09.2004/ 15.09.2004 to 14.09.2006	No major conditions attached	N/a
CNIE	MoH	<p>Import Licence (Licence No. MALL1200416 43) issued by the Pihak Berkuasa Kawalan Dadah Kementerian Kesihatan for the importation, sale as wholesaler or retail or supply of the following products: Class T Tan Long Imperial bearing</p>	27.12.2004/ 01.01.2005 to 31.12.2005	<ul style="list-style-type: none"> Licensee to furnish a copy of the invoice and certificate of analysis for each imported goods and the same must be forwarded to the MoH upon receipt of each consignment 	Will be met when applicable

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
		registration no. <i>MAL19986182</i> T, Class T Tang Long Jian Mei Jiu bearing registration no. <i>MAL19986181</i> T, Class X Aangamik DMG Tablet bearing registration no. <i>MAL19973762</i> XR, Class X Multi-Vit Plus Tablet bearing registration no. <i>MAL19973764</i> X Class X Multi-Vit Plus Tablet bearing registration no. <i>MAL19973764</i> X, Class K Ires Translucent Loose Powder bearing registration no. <i>MAL03110306</i> K, Class K Ires Lipstick- Cherry Red bearing registration no. <i>MAL03110310</i> KV, Class K Ires Lipstick- Autumn Peach bearing registration no. <i>MAL03110310</i> KV, Class K Ires Lipstick- Twinkle Pink bearing registration no. <i>MAL03110310</i> KV, Class K Ires Lipstick- Blossom Rose bearing registration no. <i>MAL03110310</i> KV, Class K Ires Lipstick- Cool Sweetie bearing			

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration / licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
		registration no. MAL03110310 KV and Class K Ires Lipstick- True Ginger bearing registration no. MAL03110310 KV			
CNIE	MoH	Wholesaler Licence (MALLB20041 374) issued by the Pihak Berkuasa Kawalan Dadah Kementerian Kesihatan for the conduct of wholesale business at CNI Enterprise (M) Sdn Bhd, Lot No. C6, Lorong Tembaga Tiga, Kawasan MIEL KKIP, Jalan Sepagar, Menggatal	01.07.2004/ 01.07.2004 to 30.06.2005*	No major conditions attached	N/a
CNIE	MoH	Wholesaler Licence (Licence No. MALLB200412 27) issued by the Pihak Berkuasa Kawalan Dadah Kementerian Kesihatan for the conduct of wholesale business at CNI Enterprise (M) Sdn Bhd, No. 2, Jalan UI/17, Seksyen U1, Hicom- Glenmarie Industrial Park, 40000 Shah Alam, Selangor	01.07.2004/ 01.07.2004 to 30.06.2005*	No major conditions attached	N/a

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
CNIE	MoH	Wholesaler Licence (MALLB20041 260) issued by the Pihak Berkuasa Kawalan Dadah Kementerian Kesihatan for the conduct of wholesale business at CNI Enterprise (M) Sdn Bhd, Lot 9392, Sek 64, Jalan Pending, 93450 Kuching, Sarawak	01.07.2004/ 01.07.2004 to 30.06.2005*	No major conditions attached	N/a
CNIE	Ministry of Home Affairs (Publication Control Unit) ("MHA")	Publication Permits in relation to the CNI News – Chinese & English Issue (Permit No. PP6853/3/2006)	15.04.2005/ 01.04.2005 to 31.03.2006	<ul style="list-style-type: none"> Permit no. must be printed below the CNI News' header 8 copies of each CNI News release and editions must be furnished to the MHA Permit cannot be modified, assigned or be kept under the control of any person other than the permit holder without the prior approval of MHA Permit holder must inform MHA in the event of any change to the members of its Board of Editors or equity structure 	Met
CNIE	MHA	Publication Permits in relation to the CNI News – Bahasa Malaysia & English Issue (Permit No. PP8945/6/2006) issued by MHA	15.04.2005/ 16.06.2005 to 15.06.2006	<ul style="list-style-type: none"> Permit no. must be printed below the CNI News' header 8 copies of each CNI News release and editions must be furnished to the MHA Permit cannot be modified, assigned or be kept under the control of any person other than the permit holder without the prior approval of MHA Permit holder must inform MHA in the event of any change to the members of its Board of Editors or equity structure 	Met

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
EM	MITI	Manufacturing licence for instant beverages (Serial No: A021438) (Licence No: A013554)	28.06.2003/ Since 31.03.2003	<ul style="list-style-type: none"> MITI must be notified of disposal of shares in this company. Company must train Malaysian citizens for the transfer of technology and speciality to all levels of employment. 	Will be met when applicable Met
EM	DCA, MoH	Manufacturer's Licence with GMP accreditation from MoH (Licence No: MALLP20041841)	30.12.2004/ 01.01.2005 to 31.12.2005	<ul style="list-style-type: none"> The licence-holder is only permitted to manufacture Bee-lite Lyophilized Royal Jelly, CNI Lyophilized Royal Jelly. The licence may be revoked at any time if the premise is found to be unsuitable from the aspects of location, facilities, cleanliness, supervision and record-keeping etc. 	Met N/a
EM	Islamic Religious Council of Selangor Malaysia ("RCSM")	Certificate of authentication that the Tongkat Ali Powder has fulfilled the Hukum Syarak (Licence No: JAL.SEL.BPP.03/047/(S)/02/53)	30.09.2004/ 30.09.2004 to 29.09.2006	No major conditions attached	N/a
EM	RCSM	Certificate of authentication that the Coffee with Tongkat Ali has fulfilled Hukum Syarak (Licence No: JAI.SEL.BPP.03/047/02/54)	04.12.2003/ 04.12.2003 to 03.12.2005	No major conditions attached	N/a
EM	Kastam dan Eksais Diraja Malaysia/ Royal Customs and Excise Malaysia	Licence under the Sales Tax Act- Manufacturer's Licence (Licence No: B10-A036311/91)	08.02.2002/ Since 25.03.1991	No major conditions attached	N/a

10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Company	Approving Authority	Type of licence / registration/ licence and serial number	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance Met/will be met when applicable
Q-Pack	MITI	Manufacturing licence for laundry powder, shampoo, toothpaste, facial cleanser, intimate wash. (Serial No: A021820) (Licence No: A013781)	11.12.2003/ Since 15.09.2003	<ul style="list-style-type: none"> MITI must be notified of disposal of shares in this company. Company must train Malaysian citizens for the transfer of technology and speciality to all levels of employment. 	Will be met when applicable Met
Q-Pack	Kastam dan Eksais Diraja Malaysia	Licence under the Sales Tax Act- Manufacturer's Licence (Licence No: B10-98000075/98)	10.03.2004/ Since 23.07.1998	No major conditions attached	N/a

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*

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11. LAND AND BUILDINGS

Details on the land and buildings owned by the CNI Group are as follows:

Registered owner / (Beneficial Owner)	Postal address / location	Description / existing use	Certificate of fitness (date of issuance)	Tenure of land - years (maturity)	Land area / built-up area	Approximate age of building	Audited net book value as at 31.12.04 (RM'000)
Horsedale Development Berhad / (CNIE) *	HS(D) 136183 PT1, Bandar Glenmarie Daerah Petaling, Negeri Selangor Darul Ehsan Wisma CNI, No. 2, Jalan UI/17, Seksyen UI, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan Restrictions in interest: Nil	Commercial Buildings / Office cum factory	Obtained on 20.6.1996 ^	Freehold	175,604 square feet ("Sq Feet")/ 195,733.15 Sq Feet	8 years	25,523
CNIE @	Lot 02467 Block No. 195, Kuching North Land District, Negeri Sarawak No. 38, Jalan Gold Jade, 93150 Kuching, Sarawak Restrictions in interest: Nil Encumbrances on property: Charged to Malayan Banking Berhad	Three storey corner terrace shophouse building / Vacant	Obtained on 6.11.1996	Leasehold - approximately 100 years (Expires on 31.12.2038)	1,309 Sq Feet/ 3,927 Sq Feet	18 years	216

11. LAND AND BUILDINGS (Cont'd)

Registered owner / (Beneficial Owner)	Postal address / location	Description / existing use	Certificate of fitness (date of issuance)	Tenure of land - years (maturity)	Land area / built-up area	Approximate age of building	Audited net book value as at 31.12.04 (RM'000)
CNI	No. 1 : HS(D) 100850, PT 576, Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan	Six storey corner shoplot cum office / letting out and store room	Obtained on 20.1.1997	Leasehold - 99 years (Expires on 29.08.2094)	2,252 Sq Feet/ 12,909 Sq Feet	7 years	3,246
	No. 3 : HS(D) 100852, PT 578, Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan	Six storey shoplot cum office / letting out and store room	Obtained on 20.1.1997	Leasehold - 99 years (Expires on 29.08.2094)	1,800 Sq Feet/ 10,633 Sq Feet	7 years	
	No.1 and 3, Jalan Tengku Ampuan Zabedah F/9F, Seksyen 9F, 40100 Shah Alam						
	Restrictions in interest: Not to be transferred, leased, or charged without first obtaining the consent of the State of Selangor						
	Encumbrances on property: Charged to Malayan Banking Berhad						
CNI	Geran 57213 Lot 8302 Mukim 13 Daerah Timor Laut, Negeri Pulau Pinang No.27A, 27B and 27C, Lintang Angsana, 11500 Penang	Three storey shophouse / letting out	Certificate of Occupation was obtained on 30 September 1991	Leasehold - 99 years (expires on 30.05.2093)	1,991 Sq Feet/ 4,620 Sq Feet	14 years	550
	Restriction in interest : Nil						
	Encumbrances on property : Nil						
	Cost of purchase : RM550,000						
	Date of purchase : 10 July 2003						

11. LAND AND BUILDINGS (Cont'd)

Registered owner / (Beneficial Owner)	Postal address / location	Description / existing use	Certificate of fitness (date of issuance)	Tenure of land - years (maturity)	Land area / built-up area	Approximate age of building	Audited net book value as at 31.12.04 (RM'000)
Syarikat Fajar Enterprise Sdn Bhd / (CNI) *	HS(M) 26564 PT 17790, Mukim Empang Daerah Hulu Langat, Negeri Selangor Darul Ehsan A15/1/1, A15/2/2, A15/3/3, A15/4/4, A15/5/5 Jalan Ampang Utama 2/2 One Ampang Avenue, 68000 Ampang	5 storey terrace shoplot/ Rented out to third parties	Obtained on 31.07.1996	Leasehold - 99 years (Expires on 23.05.2089)	1,865 Sq Feet/ 9,165 Sq Feet	8 years	1,495
	Restrictions in interest: Not to be transferred, leased, or charged without first obtaining the consent of the State of Selangor						
	Encumbrances on property: Nil						
Maddusalat Sdn Bhd / (CNI) *	HS(D) 59437 PT 284, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan Parcel No. A-6-13 Block A, Sri Alam Condominium, Jalan Kelab Golf 13/1, Seksyen 13, 40100 Shah Alam	Condominium storey No. 6 of Block A / Rented out to third parties	Obtained on 9.7.1998	Leasehold - 99 years (Expires on 14.02.2091)	Not applicable/ 1,231 Sq Feet	5 years	236
	Restrictions in interest: Not to be transferred, leased, or charged without first obtaining the consent of the State of Selangor						
	Encumbrances on property: Nil						

11. LAND AND BUILDINGS (Cont'd)

Registered owner / (Beneficial Owner)	Postal address / location	Description / existing use	Certificate of fitness (date of issuance)	Tenure of land - years (maturity)	Land area / built-up area	Approximate age of building	Audited net book value as at 31.12.04 (RM'000)
CNI	HS(D) 40073 PT 60002, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak	Double storey office cum single storey factory / Vacant factory	Obtained on 2.2.1994	Leaschold - 60 years (Expires on 14.02.2046)	107,599 Sq Feet / 32,981 Sq Feet	9 years	2,829
	HS(D) 40074 PT 60003, Mukim Hulu Kinta, Daerah Kinta Negeri Perak						
	No. 8 and 10, Solok Rishah 3, Kawasan Perindustrian Sibilin, 30100 Ipoh, Perak						
	Restrictions in interest: Not to be transferred, leased, or charged without first obtaining the consent of the Perak Menteri Besar						
	Encumbrances on property: Nil						
Horsedale Development Berhad / (EM) *	HS(D) 136183 PT1, Bandar Glenmarie, Daerah Petaling, Negeri Selangor Darul Ehsan	Vacant land. For existing use of the land, please refer to Section 12.1.3 (e)(i) and (ii) of this Prospectus.	Not applicable	Freehold	63,701 Sq Feet / Not applicable	Not applicable	3,495
	Lot 172, Hicom Glenmarie Industrial Park, 40000 Shah Alam						
	Restrictions in interest: Nil						
	Encumbrances on property: Assigned to Alliance Bank Berhad						

11. LAND AND BUILDINGS (Cont'd)

Registered owner / (Beneficial Owner)	Postal address / location	Description / existing use	Certificate of fitness (date of issuance)	Tenure of land - years (maturity)	Land area / built-up area	Approximate age of building	Audited net book value as at 31.12.04 (RM'000)
Koperasi Jimat Cermat dan Pinjaman Mercantile Berhad / (EM) *	HS(M) 745, PT 93, Telok Kemang THB-18-02, Muriara Beach Holiday Suites, Port Dickson Restrictions in interest: Nil Encumbrances on property: Nil	Service apartment / For future staff welfare or letting out purposes, of which the construction of this property has ceased since 2000. Title of the property still vests with the registered owner.	Not applicable	Freehold	Not applicable/ 1,272 Sq Feet	Not applicable - construction ceased since 2000	392
CNIS	Lease 21663 Lot No. MK23-5497W No. 18, Kaki Bukit Place, Eunos Techpark, Singapore 416196 Restrictions in interest: Nil Encumbrances on property: Nil	7 storey light industrial building / Rented out to third parties	Obtained on 31.10.1998	Leasehold - 60 years (Expires on 19.11.2055)	6,927 Sq Feet/ 17,411 Sq Feet	8 years	8,854 (equivalent to S\$3,807 at RM2.3258 = S\$1.00)

Notes:

* The individual title has not been issued yet as the master title still vests with the developer

^ CNI had carried out renovations to the 4th floor of Wisma CNI ("4th Floor"). The renovations were completed on 11 January 2004. In addition, CNI had expanded EM's production facility in its existing manufacturing facility ("Factory Expansion"). The Factory Expansion was completed on 20 March 2005. The certificates of fitness for both the 4th Floor and the Factory Expansion are pending issuance. CNI has, vide its letter dated 15 June 2005, provided an undertaking to the SC to procure the certificates of fitness by 1 June 2006

@ CNIE had on 3 May 2004 accepted an offer to dispose of the property to an unrelated 3rd party. Execution of the formal sale and purchase agreement is currently pending the finalisation of negotiations.

Save as disclosed above, there are no restrictions in interest for the above properties. In addition, none of the existing use of the land in the above properties breaches the land-use conditions or permissible land use.

12. FINANCIAL INFORMATION

12.1 PROFIT AND DIVIDEND RECORD

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.

Proforma Consolidated Income Statements

	← 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

12. FINANCIAL INFORMATION (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 FYE 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.*

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12. FINANCIAL INFORMATION (Cont'd)

12.1.1 Segmental analysis

The following tables set out the segmental analysis by companies and business activities of the proforma CNI Group for the past 4 FYE 30 June 2003, the audited 6-month financial period ended 31 December 2003 and the audited FYE 31 December 2004.

(a) By companies

	← FYE 30 June →				6-month financial period ended 31 December 2003 RM'000	FYE 31 December 2004 RM'000
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000		
Operating Revenue						
CNI	216	322	354	345	161	364
CNIE	72,000	90,082	169,307	213,497	116,802	244,050
EM	4,237	7,496	7,775	7,989	4,726	10,069
Q-Pack	1,060	1,474	2,539	2,665	1,197	2,712
CNIS	802	243	185	90	28	2,804
	78,315	99,617	180,160	224,586	122,914	259,999
Gross (Loss)/Profit						
CNI	35	156	216	196	100	224
CNIE	43,130	55,737	109,392	138,989	77,433	163,731
EM	4,284	6,180	10,657	12,800	7,492	17,973
Q-Pack	958	1,012	1,472	2,646	1,525	2,234
CNIS	66	51	(19)	(21)	(48)	965
	48,473	63,136	121,718	154,610	86,502	185,127
(Loss)/Profit Before Taxation						
CNI	(564)	3,606	(90)	73	16	(269)
CNIE	4,672	10,480	33,579	37,392	22,512	46,497
EM	2,031	3,726	7,405	8,478	5,291	13,435
Q-Pack	(151)	(121)	149	1,134	526	506
CNIS	(2)	(122)	(185)	(445)	(350)	(725)
	5,986	17,569	40,858	46,632	27,995	59,444

12. FINANCIAL INFORMATION (Cont'd)

(b) By business activities

Analysis of Operating Revenue

	← FYE 30 June →				6-month financial period ended 31 December 2003 RM'000	FYE 31 December 2004 RM'000
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000		
Manufacturing of healthcare and consumer products	5,297	8,970	10,314	10,654	5,923	12,781
Multilevel Marketing of healthcare and consumer products	72,802	90,325	169,492	213,587	116,830	246,854
Others	216	322	354	345	161	364
Proforma Consolidated Total	78,315	99,617	180,160	224,586	122,914	259,999

Analysis of (Loss)/PBT

	← FYE 30 June →				6-month financial period ended 31 December 2003 RM'000	FYE 31 December 2004 RM'000
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000		
Manufacturing of healthcare and consumer products	2,191	3,874	7,750	9,664	5,774	13,943
Multilevel Marketing of healthcare and consumer products	6,653	11,918	33,360	36,847	22,052	45,331
Others	(102)	3,962	46	77	17	(270)
Profit from operations	8,742	19,754	41,156	46,588	27,843	59,004
Interest expenses	(2,786)	(2,197)	(427)	(296)	(165)	(107)
Interest revenue	30	12	129	340	317	547
Proforma Consolidated Total	5,986	17,569	40,858	46,632	27,995	59,444

12. FINANCIAL INFORMATION (Cont'd)

Commentary**Results of Operations****1 FYE 30 June 2000**

For the FYE 30 June 2000, the total operating revenue of the Group increased to RM78.3 million representing an increase of 25% compared to the previous financial year. The increase in total operating revenue for the financial year 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 turnaround to a PBT of approximately RM6.0 million for the financial year 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.

There was no difference between the effective tax rate and the statutory tax rate of the Group for the FYE 30 June 2000.

2 FYE 30 June 2001

The total operating revenue of the Group for the FYE 30 June 2001 increased to RM99.6 million representing an increase of 27% compared to the previous year. The increase in total operating revenue 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 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 lower effective tax rate applicable to the Group for the FYE 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 gains tax.

3 FYE 30 June 2002

The total operating revenue of the Group for the FYE 30 June 2002 surged to RM180.2 million representing an increase of 81% compared to the previous financial year. The significant increase in total operating revenue was mainly due to the following:

- i) A significant increase in the number of distributors;
- ii) Continued increase in marketing efforts by CNIE;
- iii) 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%");
- iv) Introduction of six types of new packages for nutritional care products by CNIE;

12. FINANCIAL INFORMATION (Cont'd)

- v) Full year sales of new starter kits which was introduced in January 2001; and
- vi) Full year Multilevel Marketing operations by CNIS.

The increase in PBT 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 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 FYE 30 June 2002 included a loss arising from the disposal of unquoted shares.

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

4 FYE 30 June 2003

The total operating revenue of the Group for the FYE 30 June 2003 increased to RM224.6 million representing an increase of 25% from the previous financial year. The increase in total operating revenue was 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.

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

5 6-month financial period ended 31 December 2003

The increase in annualised total operating revenue was mainly due to the continued intensive advertising and promotion activities by CNIE and the introduction of mega contests to encourage more purchases by its distributors.

The increase in 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.

There is no difference between the effective tax rate and the statutory tax rate of the Group for the 6-month financial period ended 31 December 2003.

12. FINANCIAL INFORMATION (Cont'd)

6 FYE 31 December 2004

The increase in total operating revenue for the FYE 31 December 2004 as compared to the annualised total operating revenue of RM245.8 million for the 6-month financial period ended 31 December 2003 was mainly due to the increase in selling prices of certain beverages including the CNI Tongkat Ali Ginseng Coffee and the introduction of a new beverage product namely CNI Gold Soya.

The PBT increase in tandem with the increase in 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 offset the positive effects on the profit margin from the increase in selling prices.

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

12.1.2 Directors' declaration on financial performance

As at 14 June 2005 (being the latest practicable date prior to the registration of this Prospectus) and save as disclosed in Sections 2.10, 4, 5 and 6 of this Prospectus, the Directors of CNI hereby confirm that the financial conditions and operations of the CNI Group are not affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (b) material capital expenditure commitments;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (d) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

12. FINANCIAL INFORMATION (Cont'd)

12.1.3 Working capital, borrowings, contingent liabilities, material capital commitments and material litigation

(a) Working capital

The Directors of CNI are of the opinion that after taking into account the cashflow projections, and the banking facilities available, the CNI Group will have adequate working capital for the 12 months after the date of this Prospectus.

(b) Borrowings

As at 14 June 2005, the Group's total bank borrowings (excluding hire purchase and leases) amounting to approximately RM195,217 comprise the following:

Type of borrowings	RM
Long-term borrowings	
• Interest bearing	195,217
Short-term borrowings	
• Interest bearing	-
TOTAL	195,217

(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.

12. FINANCIAL INFORMATION (Cont'd)

(d) 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	RM '000
Approved and contracted for		
- Computer hardware and software	2,078	
- Furniture & Fittings and electrical and office equipment	207	
- Motor vehicles	537	
- Renovation	-	
- Expansion of production facilities	225	3,047
Approved and not contracted for		
- Computer hardware and software	4,625	
- Furniture & Fittings and electrical and office equipment	1,220	
- Motor vehicles	224	
- Renovation	475	
- Plant and Machinery	4,795	
- Lab equipment	20	11,359
Total		14,406

(e) Material litigation

As at 14 June 2005, save as disclosed below, neither CNI nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of CNI or any of its subsidiaries and the Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of CNI or any of its subsidiaries:

- (i) EM had on 11 December 2003 filed a suit against the 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

12. FINANCIAL INFORMATION *(Cont'd)*

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 the 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.

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12. FINANCIAL INFORMATION (Cont'd)

12.2 FUTURE FINANCIAL INFORMATION

12.2.1 Consolidated profit forecast and assumptions

The Directors of CNI forecast that the consolidated PAT of CNI for the FYE 31 December 2005 will be as follows:

FYE 31 December	Forecast 2005
Operating revenue (RM'000)	317,085
Consolidated PBT (RM'000) ¹	66,221
Taxation (RM'000)	(17,876)
Consolidated PAT (RM'000) ¹	<u>48,345</u>
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

The principal bases and assumptions upon which the above consolidated profit forecast has been prepared are set out below:

- (a) The estimated expenses relating to the Flotation Scheme of RM1.5 million will be written off against the share premium account of CNI;*
- (b) The operating revenues are based on forecast of the directors after taking into consideration the present conditions of selling prices and the expected product line and marketing strategy. There will be no material changes to the forecast selling prices, sales mix, sales volume and profit margins and the current trend of increasing demand for the products of the Group will be maintained;*
- (c) There will be no material acquisitions or disposals of capital assets other than those as planned and the planned capital expenditure programme will generate sufficient production capacity to meet the forecast increase in production capacity requirements;*
- (d) There will be no significant changes to the forecast average prices of raw materials, labour costs and factory overheads of which will adversely affect the profit margin of the Group;*
- (e) There will be no shortages in the supply of raw materials, merchandise and labour or failure of electricity supplies that will delay the scheduled manufacturing outputs;*

12. FINANCIAL INFORMATION (Cont'd)

- (f) There will be no significant changes to the present average commissions and fees payable to the distributors of CNIE and CNIS of which are equivalent to 31% of CNIE's operating revenue and 23% of CNIS' operating revenue;
- (g) Expenses to be incurred on advertisements, promotions, incentive tours, training, anniversary, functions and events of the Group will be approximately RM15.3 million;
- (h) There will be no significant changes to the actuarial's assumptions used for computation of the Groups' directors' retirement benefits scheme which may require additional provision in the forecast year for current and past service costs of the eligible directors;
- (i) Approximately 80% of the month end cash and cash equivalents of CNIE will be placed as fixed deposits and will earn interest revenue of 2.30% per annum;
- (j) There will be no significant fluctuations in the prevailing exchange rates of foreign currencies against Ringgit Malaysia. The major exchange rates used were: -
- | | | |
|--------|---|----------|
| RM3.80 | : | USD1.00 |
| RM2.30 | : | SGD 1.00 |
- (k) Existing financing facilities of the Group will remain available at interest rates of between 7.00% and 8.50%. The Group will also be able to obtain additional financing facilities when necessary, at interest rates approximating those currently available to the Group;
- (l) The dividend to be proposed and declared by CNI in respect of the forecast year will be paid in the following financial year;
- (m) There will be no impairment in the value of property plant and equipment and investment properties of the Group;
- (n) There will be no material costs, gain or loss arising from the compulsory land acquisition by the state government in respect of the Group's freehold land located at Lot 172, Hicom-Glenmarie Industrial Park, Bandar Glenmarie, Daerah Petaling, Selangor Darul Ehsan, of which negotiation to swap the said land with another similar land within the same locality is in progress;
- (o) The timing of receipts and payments for revenue and expenditure respectively will be in accordance with that as planned and there will be no material bad debts, doubtful debts, inventories losses or inventories obsolescent in the forecast year;
- (p) There will be no material technological changes in the industry in which the Group operates and no material changes in the market competition, particularly in the countries that the Group operates and trades with;
- (q) There will be no significant changes to the prevailing rates and bases of duties, levies and taxes (including the tax incentives) applicable to the Group;
- (r) The existing terms and conditions of contracts and agreements entered into by the Group will remain in force;
- (s) There will be no significant changes to the prevailing Malaysian, regional and world economic and political conditions that may directly or indirectly adversely affect the performance of the Group;
- (t) There will be no significant changes in the prevailing legislation or government regulations including exchange control which will adversely affect the Group's activities or the market in which the Group operates;

12. FINANCIAL INFORMATION (Cont'd)

- (u) *There will be no significant changes in the current structure and principal activities of the Group;*
- (v) *There will be no significant changes in the key personnel and management of the Group, and in the operating policies, which may adversely affect the marketing, distribution, technical capabilities and the level of activities of the Group;*
- (w) *There will be no major industrial disputes, breakdown or disruption in manufacturing facilities, disruption in supplies of raw materials, merchandise and spare parts or any other abnormal circumstances of which will adversely affect the Group's operations, business or assets; and*
- (x) *Inflation rate will not fluctuate significantly from its present level.*

12.2.2 Directors' comments on profit forecast

For the FYE 31 December 2005, the total operating revenue of the Group is expected to increase to RM317.1 million representing an increase of 22.0% compared to FYE 31 December 2004. The increase is expected to be attributable to the following:

- the increase in CNIE's operating revenue, which is expected to come from mainly the following product categories:
 - sale of the nutritional care products coupled with various promotional activities for products such as Organik Vegetable Powder, Royal Jelly, Young Emulsion, Young Intelmax and Life Enzyme;
 - sale of food and beverages products such as CNI Tongkat Ali Ginseng Coffee, CNI-Café, and CNI Gold Soya;
- the increase in sales of starter kits to distributors to RM12.2 million representing an increase of 15.82% compared to FYE 31 December 2004.

Based on the total operating revenue of RM317.1 million, the Group is forecast to achieve a gross profit of RM222.3 million and a PAT of RM48.3 million. The gross profit margin and the PAT margin for the financial year is expected to be 70.10% and 15.23% respectively.

The Directors of CNI confirm that they have reviewed and analysed the profit forecast of the CNI Group and the underlying bases and assumptions stated therein. The Directors of CNI further confirm, after due and careful enquiry, that the profit forecast and the underlying bases and assumptions are reasonable in light of the future prospects of the industry, the future plans and strategies to be adopted by the Group as set out in Sections 5.3 and 6.5.15, and its level of gearing, liquidity and working capital requirements.

Nevertheless, the financial forecast is based on subjective judgements and there can be no assurance that the profit forecast will be realised. Accordingly the CNI Group's actual results for the FYE 31 December 2005 may differ significantly from the forecast figures shown herein.

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12. FINANCIAL INFORMATION (Cont'd)

12.2.3 Reporting Accountants' letter on the consolidated profit forecast

(Prepared for inclusion in the Prospectus)

MOORE STEPHENS

CHARTERED ACCOUNTANTS
(FIRM NO: AF.0282)

8A Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur
Malaysia

Tel: 603 2094 1888
Fax: 603 2094 7673

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST OF CNI HOLDINGS BERHAD

(Prepared for inclusion in this Prospectus)

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

Dear Sirs,

CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2005

We have reviewed the consolidated profit forecast of CNI Holdings Berhad ("CNI") and its subsidiary companies ("Group") for the financial year ending 31 December 2005 as set out in the accompanying Appendix B in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The forecast has been prepared for inclusion in the Prospectus in connection with the followings and should not be relied on for any other purposes:

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 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

and

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.

*A member firm of
Moore Stephens
International Limited
- members in principal
cities throughout
the world*

12. FINANCIAL INFORMATION (Cont'd)

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

**REPORTING ACCOUNTANTS' LETTER ON THE
CONSOLIDATED PROFIT FORECAST OF
CNI HOLDINGS BERHAD (CONTINUE)**

(Prepared for inclusion in this Prospectus)


Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors of CNI and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial year ended 31 December 2004. The Directors of CNI are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

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

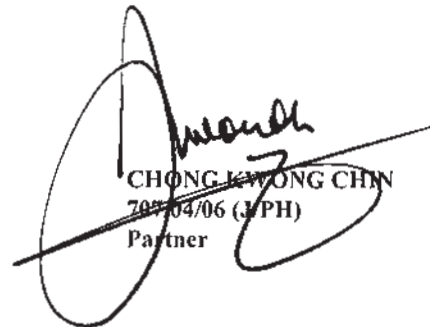
Subject to the matters stated in the preceding paragraphs: -

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of CNI, as set out in Appendix B, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors of CNI and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial year ended 31 December 2004.

Yours faithfully,


MOORE STEPHENS
Chartered Accountants
(AF.0282)

Dated: 24 June 2005


CHONG KWONG CHIN
707/04/06 (JPH)
Partner

12. FINANCIAL INFORMATION (Cont'd)

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

APPENDIX B

The Directors of CNI forecast that the consolidated profit of the Group for the financial year ending 31 December 2005 will be as follows: -

	Forecast 2005 RM'000
Operating revenue	317,085
Consolidated profit before taxation ⁽¹⁾	66,221
Taxation	(17,876)
Consolidated profit after taxation ⁽¹⁾	48,345
Issued and paid-up share capital	
- number of ordinary shares in issue ('000)	600,000
- weighted average number of ordinary shares in issue ('000) ⁽²⁾	600,000
Basic/Diluted earnings per share ("EPS")	
- Gross EPS (sen)	11.04
- Net EPS (sen)	8.06
Basic/Diluted price earnings multiple ("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 ordinary shares of RM0.10 each after retrospective adjustments for the effects of the bonus issue and the subdivision of shares.

⁽³⁾ Computed based on offer price of RM0.90 per share.

12. FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS
CHARTERED ACCOUNTANTS
(FIRM NO: AF0282)

APPENDIX B
(Cont')

The principal assumptions upon which the consolidated profit forecast of the Group for the financial year ending 31 December 2005 has been prepared are set out below.

1. The estimated expenses relating to the flotation scheme of RM1.5 million will be written off against the share premium account of CNI;
2. The operating revenue is based on forecast of the directors after taking into consideration the present conditions of selling prices and the expected product line and marketing strategy. There will be no material changes to the forecast selling prices, sales mix, sales volume and profit margins and the current trend of increasing demand for the products of the Group will be maintained;
3. There will be no material acquisitions or disposals of capital assets other than those as planned and the planned capital expenditure programme will generate sufficient production capacity to meet the forecast increase in production capacity requirements;
4. There will be no significant changes to the forecast average prices of raw materials, labour costs and factory overheads of which will adversely affect the profit margin of the Group;
5. There will be no shortages in the supply of raw materials, merchandise and labour or failure of electricity supplies that will delay the scheduled manufacturing outputs;
6. There will be no significant changes to the present average commissions and fees payable to the distributors of CNI Enterprise Sdn Bhd ("CNIE") and Creative Network International (S) Pte Ltd ("CNIS") of which are equivalent to 31% of CNIE's operating revenue and 23% of CNIS's operating revenue;
7. Expenses to be incurred on advertisements, promotions, incentive tours, training, anniversary, functions and events of the Group will be approximately RM15.3 million;
8. There will be no significant changes to the actuarial's assumptions used for computation of the Groups' directors' retirement benefits scheme which may require additional provision in the forecast year for current and past service costs of the eligible directors;
9. Approximately 80% of the month end cash and cash equivalents of CNIE will be placed as fixed deposits and will earn interest revenue of 2.30% per annum;
10. There will be no significant fluctuations in the prevailing exchange rates of foreign currencies against Ringgit Malaysia. The major exchange rates used were: -

RM3.80 : United States Dollar 1.00
RM2.30 : Singapore Dollar 1.00
11. Existing financing facilities of the Group will remain available at interest rates of between 7.00% and 8.50%. The Group will also be able to obtain additional financing facilities when necessary, at interest rates approximating those currently available to the Group;

12. FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS
CHARTERED ACCOUNTANTS
(FIRM NO: AF0282)

APPENDIX B
(Cont')

12. The dividend to be proposed and declared by CNI in respect of the forecast year will be paid in the following financial year;
13. There will be no impairment in the value of property plant and equipment and investment properties of the Group;
14. There will be no material costs, gain or loss arising from the compulsory land acquisition by the state government in respect of the Group's freehold land located at Lot 172, Hicom-Glenmarie Industrial Park, Bandar Glenmarie, Daerah Petaling, Selangor Darul Ehsan, of which negotiation to swap the said land with another similar land within the same locality is in progress;
15. The timing of receipts and payments for revenue and expenditure respectively will be in accordance with that as planned and there will be no material bad debts, doubtful debts, inventories losses or inventories obsolescent in the forecast year;
16. There will be no material technological changes in the industry in which the Group operates and no material changes in the market competition, particularly in the countries that the Group operates and trades with;
17. There will be no significant changes to the prevailing rates and bases of duties, levies and taxes (including the tax incentives) applicable to the Group;
18. The existing terms and conditions of contracts and agreements entered into by the Group will remain in force;
19. There will be no significant changes to the prevailing Malaysian, regional and world economic and political conditions that may directly or indirectly adversely affect the performance of the Group;
20. There will be no significant changes in the prevailing legislation or government regulations including exchange control which will adversely affect the Group's activities or the market in which the Group operates;
21. There will be no significant changes in the current structure and principal activities of the Group;
22. There will be no significant changes in the key personnel and management of the Group, and in the operating policies, which may adversely affect the marketing, distribution, technical capabilities and the level of activities of the Group;
23. There will be no major industrial disputes, breakdown or disruption in manufacturing facilities, disruption in supplies of raw materials, merchandise and spare parts or any other abnormal circumstances of which will adversely affect the Group's operations, business or assets; and
24. Inflation rate will not fluctuate significantly from its present level.

12. FINANCIAL INFORMATION (Cont'd)

12.2.4 Sensitivity analysis

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 12.2.1 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in key variables.

The following scenarios illustrate the impact of changes in selling price, raw material prices and sales volume on the Group's financial performance.

Changes in selling price

(RM'000)	Forecast for the FYE 31 December 2005				
	-10%	-5%	As forecasted	+5%	+10%
Operating revenue	285,377	301,231	317,085	332,939	348,794
Cost of sales	94,743	94,743	94,743	94,743	94,743
Distributors' commission and fees	84,508	89,163	93,818	98,473	103,128
PBT	48,338	58,354	66,221	76,237	86,253
PAT	36,809	43,421	48,345	54,712	61,081

For the FYE 31 December 2005, an increase in selling price by 5% and 10% will result in the following:

- an increase of the Group's distributors' commission and fees by 5% and 10% respectively;
- an increase of the Group's PBT by 15.1% and 30.3% respectively; and
- an increase of the Group's PAT by 13.2% and 26.3%.

A decrease in selling price by 5% and 10% will result in the following:

- a decrease of the Group's distributors commission and fees by 5% and 10% respectively;
- a decrease of the Group's PBT by 11.9% and 27.0% respectively; and
- a decrease of the Group's PAT by 10.2% and 23.9% respectively.

Changes in raw material prices

(RM'000)	Forecast for the FYE 31 December 2005				
	-10%	-5%	As forecasted	+5%	+10%
Operating revenue	317,085	317,085	317,085	317,085	317,085
Cost of sales	86,636	90,690	94,743	98,796	102,850
Distributors' commission and fees	93,818	93,818	93,818	93,818	93,818
PBT	73,135	69,678	66,221	62,764	59,307
PAT	51,560	49,952	48,345	46,694	44,981

For the FYE 31 December 2005, an increase in raw material price by 5% and 10% will result in the following:

- a decrease of the Group's PBT by 5.2% and 10.4% respectively; and
- a decrease of the Group's PAT by 3.4% and 7.0% respectively.

A decrease in raw material prices by 5% and 10% will result in the following:

- an increase of the Group's PBT by 5.2% and 10.4% respectively; and
- an increase of the Group's PAT by 3.3% and 6.7% respectively.

12. FINANCIAL INFORMATION (Cont'd)**Changes in sales volume**

(RM'000)	Forecast for the FYE 31 December 2005				
	-10%	-5%	As forecasted	+5%	+10%
Operating revenue	285,377	301,231	317,085	332,939	348,794
Cost of sales	85,582	90,163	94,743	99,323	103,904
Distributors' commission and fees	84,508	89,163	93,818	98,473	103,128
PBT	56,243	62,307	66,221	72,285	78,348
PAT	41,023	45,462	48,345	52,770	57,195

For the FYE 31 December 2005, an increase in sales volume by 5% and 10% will result in the following:

- (a) an increase of the Group's distributors commission and fees by 5% and 10% respectively;
- (b) an increase of the Group's PBT by 9.2% and 18.3% respectively; and
- (c) an increase of the Group's PAT by 9.2% and 18.3%.

A decrease in sales volume by 5% and 10% will result in the following:

- (a) a decrease of the Group's distributors commission and fees by 5% and 10% respectively;
- (b) a decrease of the Group's PBT by 5.9% and 15.1% respectively; and
- (c) a decrease of the Group's PAT by 6.0% and 15.1% respectively.

12.2.5 Dividend forecast

It is the policy of the Directors of CNI to recommend dividends to allow shareholders to participate in the profits of the Group as well as to provide for adequate reserves for the future growth of the Group.

Based on the forecast consolidated PAT of RM48.3 million for the FYE 31 December 2005 and 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 propose to declare dividends of at least 50% of the consolidated PAT for the FYE 31 December 2005.

In this respect, the intended appropriation of the forecast consolidated PAT is as follows:

FYE 31 December 2005	Forecast
Consolidated PBT (RM'000)	66,221
Taxation (RM'000)	(17,876)
Consolidated PAT (RM'000)	48,345
Dividend (RM'000)	(24,180)
	24,165
Dividend per Share (sen)	
- Gross	5.60
- Net	4.03
Dividend yield (%)	
- Gross [#]	6.22
- Net [#]	4.48
Net dividend cover (times)	2.00

12. FINANCIAL INFORMATION (Cont'd)

Note:

Computed based on offer price of RM0.90 per Share

Future dividend payments will be waived if:

- (a) The Group is in a loss position for the relevant financial year; or
- (b) The Group has insufficient cash flow to meet any dividend payments.

Notwithstanding the above, the Directors of CNI may at their discretion waive any future dividend payments as and when deemed necessary in the best interests of the Group.

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12. FINANCIAL INFORMATION (Cont'd)

12.3 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in the Prospectus)

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

8A Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur
Malaysia

Tel: 603 2094 1888
Fax: 603 2094 7673

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS OF CNI HOLDINGS BERHAD

(Prepared for inclusion in this Prospectus)

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

Dear Sirs,

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

We have reviewed the proforma consolidated balance sheets of CNI Holdings Berhad ("CNI") and its subsidiary companies ("Group") as at 31 December 2004 together with the notes thereto as set out in Appendix A, for which the Directors of CNI are solely responsible for their preparation and presentation. The proforma consolidated balance sheets have been prepared for inclusion in the Prospectus in connection with the followings and should not be relied on for any other purposes:

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 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

and

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.

*A member firm of
Moore Stephens
International Limited
- members in principal
cities throughout
the world*

12. FINANCIAL INFORMATION (Cont'd)


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

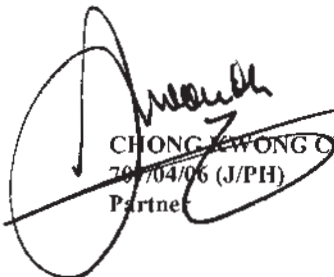
**REPORTING ACCOUNTANTS' LETTER ON THE
PROFORMA CONSOLIDATED BALANCE SHEETS OF
CNI HOLDINGS BERHAD (CONTINUE)**

(Prepared for inclusion in this Prospectus)

In our opinion, the proforma consolidated balance sheets, which are provided for illustrative purposes only, have been prepared in accordance with the basis set out in the notes to the proforma consolidated balance sheets. Such basis is consistent with the accounting policies normally adopted by the Group and the adjustments made are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully,


MOORE STEPHENS
Chartered Accountants
(AF.0282)


CHONG KWONG CHIN
70/704/06 (J/PH)
Partner

Dated: 24 June 2005

12. FINANCIAL INFORMATION (Cont'd)

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

APPENDIX A

CNI HOLDINGS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

The proforma consolidated balance sheets of CNI as set out below are prepared solely for illustrative purposes only to show the effects of the subdivision of shares, the bonus issue, the employee equity scheme and the offer for sale (details of which are set out in the accompanying Notes to the Proforma Consolidated Balance Sheets), on the audited consolidated balance sheet of CNI as at 31 December 2004 had these transactions been effected on that date.

	(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	2.39	0.11	0.10

12. FINANCIAL INFORMATION (Cont'd)

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

APPENDIX A
(Cont')

CNI HOLDINGS BERHAD

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

1. The proforma consolidated balance sheets had been prepared based on the audited consolidated balance sheet of the Group as at 31 December 2004.
2. The bases and accounting principles applied for the preparation of the proforma consolidated balance sheets are consistent with those previously adopted in the preparation of CNI's audited consolidated financial statements.
3. The proforma consolidated balance sheets incorporate, on a proforma basis, the following proposed transactions as if they were effected on 31 December 2004: -

3.1 Proforma (I)

Proforma (I) incorporates the effects of the subdivision of all the existing 2,697,000 ordinary shares of RM1.00 each in CNI into 26,970,000 Shares ("Share Split").

3.2 Proforma (II)

Proforma (II) incorporates the effects of Proforma (I) and the bonus issue of 573,030,000 new Shares in CNI ("Bonus Shares") credited as fully paid-up, on the basis of 57,303 Bonus Shares for every 2,697 Shares held in CNI after the Share Split. The Bonus Shares were fully capitalised from investment revaluation reserve, share premium account and retained profits of CNI amounting to RM48,925,246, RM4,205,300 and RM4,172,454 respectively.

On the Group level and for the purpose of this proforma, it is assumed that the total amount required for the bonus issue were capitalised from the share premium account, capital reserve and retained profits of the Group of RM4,205,300, RM22,099,670 and RM30,998,030 respectively.

(The above transaction is referred to as "Bonus Issue")

3.3 Proforma (III)

Proforma (III) incorporates the effects of Proforma (I) and (II) and the followings: -

- (i) Offer for sale of 83,892,900 Shares in CNI by its participating shareholders, payable in full upon application.
- (ii) Offer for sale of 7,107,100 Shares in CNI by Collective Station Sdn Bhd, a shareholder of CNI, to eligible directors and employees of the Group, via an employee equity scheme.
- (iii) Payment of the estimated expenses relating to the flotation exercise amounting to RM1,500,000. The estimated expenses relating to the flotation exercise are assumed to be paid by internally generated funds and these expenses are assumed to be charged against the share premium account.

12. FINANCIAL INFORMATION (Cont'd)

MOORE STEPHENS
 CHARTERED ACCOUNTANTS
 (FIRM NO: AF0282)

APPENDIX A
(Cont')

The offers for sale in (i) and (ii) above have no effect to the proforma consolidated balance sheet as the proceeds arising therefrom accrue entirely to the participating shareholders of CNL.

(The above transactions are referred to as "EES and Offer for Sale")

4. The movements in share capital are as follows: -

	No. of ordinary shares of RM1.00 each '000	No. of ordinary shares of RM0.10 each '000	Share Capital RM'000
As per CNL's audited consolidated financial statements as at 31 December 2004	2,697	-	2,697
Cancellation of existing ordinary shares of RM1.00 each and issuance of new Shares each pursuant to the Share Split	(2,697)	26,970	2,697
As per Proforma (I)	-	26,970	2,697
New Shares issued pursuant to the Bonus Issue	-	573,030	57,303
As per Proforma (II) and (III)	-	600,000	60,000

12. FINANCIAL INFORMATION (Cont'd)

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

 APPENDIX A
 (Cont')

5. The movement in reserves are as follows: -

	Share Premium RM'000	Capital Reserve RM'000	Retained Profits RM'000	Other Reserves RM'000	Total Reserves RM'000
As per CNI's audited consolidated financial statements as at 31 December 2004 and as per Proforma (I)	5,705	22,100	33,406	619	61,830
Capitalisation pursuant to the Bonus Issue	(4,205)	(22,100)	(30,998)	-	(57,303)
As per Proforma (II)	1,500	-	2,408	619	4,527
Total estimated expenses relating to the flotation exercise charged to the share premium account	(1,500)	-	-	-	(1,500)
As per Proforma (III)	-	-	2,408	619	3,027

6. The interest bearing borrowings and gearing are as follows: -

	(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
Short term borrowings	1,999	1,999	1,999
Long term borrowings	195	195	195
Total borrowings	2,194	2,194	2,194
Gearing (times)	0.03	0.03	0.03