

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2005.**

**A. DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARDS (“FRS”) 134 (FORMERLY KNOWN AS MALAYSIAN ACCOUNTING STANDARDS BOARD (“MASB”) 26)**

**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the preparation of the consolidated pro-forma financial information presented in the prospectus of the company dated 28<sup>th</sup> June 2005.

**2. Audit Report of Preceding Annual Financial Statements**

The auditors’ report of the annual financial statements of the Group for the financial year ended 31 December 2004 was not subject to any qualification.

**3. Seasonal or Cyclical Factors**

There were no major seasonal or cyclical factors that affected operations.

**4. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual due to their nature, size or incidence during the quarter under review.

**5. Material Changes in Estimates**

This is the first quarterly announcement made by the Group and, as such, the report of changes in estimate as compared to those of any previous periods is not applicable.

**6. Debts and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

**7. Dividend Paid**

There was no dividend paid during the quarter under review.

## 8. Segmental Reporting

	<b>TOTAL</b>
<b>Revenue</b>	RM
Multi-level Marketing	65,098,622
Contract Manufacturing	4,445,260
Others	100,230
Total Revenue	<u><u>69,644,112</u></u>

## 9. Valuations of Property, Plant and Equipment

The valuation of property, plant & equipment have been brought forward, without amendments from the audited financial statements for the financial year ended 31 December 2004.

## 10. Event subsequent to the End of the Period

Save as disclosed below, there were no material events affecting the earnings of the Group and the Company between 31 December 2004 and 12 July 2005:-

### (a) Share Split

On 1 June 2005, the Company undertook a share split which involved a change in the par value of the company's ordinary share from RM1.00 into RM0.10 each, by way of sub-division of the par value for each existing ordinary share of RM1.00 in the Company. Accordingly, the issued and paid-up share capital of the Company changed from RM2,697,000 comprising 2,697,000 ordinary shares of RM1.00 each to RM2,697,000 comprising 26,970,000 ordinary shares of RM0.10 each ("Share").

### (b) Bonus Issue

On 2 June 2005, the Company allotted and issued 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 by capitalising a total of RM57,303,000 from the revaluation reserves, share premium reserves and retained earnings of the Company.

### (c) Dividend Payment

On 29 April 2005, the Company had paid an interim dividend of RM21.80 per ordinary share of RM1.00 each less 28% tax amounting to RM42,332,112 for the financial year ended 31 December 2004.

## 11. Change in Group / Capital Structure

There were no changes in the composition of the Company / Group including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring and discontinuing operations during the quarter under review.

**12. Contingent Liabilities**

Save as disclosed in the Company's Prospectus dated 28<sup>th</sup> June 2005, there were no material contingent liabilities as at 12 July 2005.

**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**1. Review of Performance**

The Group's sales revenue recorded at RM69.6 million contributed mainly from multi-level marketing of health care and consumer products and contract manufacturing.

The Group achieved a profit before taxation and profit after taxation of RM16.4 million and 11.9 million respectively during the reporting quarter.

**2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter**

This is the first quarterly announcement made by the Group and, as such, there was no comparison with immediate preceding quarter's results.

**3. Current Year Prospects**

The Group has embarked on aggressive marketing campaign to boost distributors' productivity and had introduced a consistent and systematic training framework to keep the distributors abreast with new products information and the latest sales techniques. The management of the Group is of the opinion that its dedicated, efficient and trained distributors are instrumental to its success. The Management of the Group expects to achieve double-digit growth in sales revenue for the fiscal year.

**4. Variances from Profit Forecasts and Profit Guarantee**

Explanatory notes for the variance of actual results against the profit forecast are not applicable as these are only required to be presented in the fourth quarter report ending 31 December 2005.

**5. Taxation**

The breakdown of tax charge for the current quarter and financial year to date are as follows:

<b>Tax charge</b>	<b>Current Quarter RM'000</b>	<b>Current Financial Year to Date RM'000</b>
Current quarter/year provision	3,987	3,987
Under/(Over) provision in previous year	0	0
Transfer to/ (from) deferred taxation	590	590
<b>Total</b>	<b>4,577</b>	<b>4,577</b>

The effective tax rate of the Group is lower than the statutory tax rate mainly due to tax incentives enjoyed by certain subsidiary companies and utilization of unabsorbed losses brought forward.

**6. Loss on Sale of unquoted investment and/or properties**

There were no disposals of investments during the quarter under review.

The gain and loss on disposal of fixed assets for the quarter under review amounted to RM45,231.60 and RM8,766.66 respectively.

**7. Purchase and Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities by the Group for the current quarter under review.

**8. Status of Corporate Proposal**

There were not corporate proposals announced or completed as at 12 July 2005 (the latest practicable date which is not earlier than 7 days from date of issue of this financial results) except for the following:-

The company has issued the prospectus on 28<sup>th</sup> June 2005 for the following in conjunction with the proposed listing on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Malaysia”):-

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

- 19,892,900 Offer Share available for application by eligible directors, employees, distributors and persons who have contributed to the success of CNI Holdings Berhad and its subsidiaries;
- 34,000,000 Offer Share offered to identified investors by way of private placement; and
- 30,000,000 Offer Share available for application to the Malaysian public

and

Offer for sale of 7,107,100 ordinary shares of RM0.10 each to eligible directors and employees of the CNI 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 ordinary share of RM0.10 each.

**9. Group Borrowings and Debt Securities**

Long term borrowings (Secured)	RM195,217
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**10. Off Balance Sheet Financial Instruments**

There were no material financial instruments with off balance sheet risk as at 12 July 2005.

## **11. Material Litigation**

- (i) Exclusive Mark (M) Sdn Bhd, a wholly owned subsidiary of the Company (“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 CNI Enterprise (M) Sdn Bhd, a wholly owned subsidiary of the Company (“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

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reply and defence to the counterclaim was received by CNIE's solicitors on 11 March 2005. The first case management was heard on 6 July 2005 and the learned Judge has given directions to the parties pertaining to the pre-trial preparations. The matter is fixed for the second pre-trial management on 23<sup>rd</sup> November 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 accept the fact, the Zamri's claim would fail.

### 12. Dividend

The board did not declare any interim dividend for the three months ended 31 March 2005.

### 13. Earnings Per Share

#### (a) Earning per share

The basic earnings per share for the current quarter under review and cumulative year to-date are computed as follow:-

	<b>Current Quarter Ended 31 March 2005</b>	<b>Curent Year To-date 31 March 2005</b>
Profit after taxation and minority interest (RM)	11,850,121	11,850,121
Weighted average number of ordinary shares *	600,000,000	600,000,000
<b>Pro-forma earnings per ordinary share (sen) *</b>	<b>1.98</b>	<b>1.98</b>

\* Earning per share is calculated based on the profit after taxation and minority interest divided by the number of shares of RM0.10 each assumed in issue after the share split and bonus issue (assuming the share split and bonus issue were completed on 1 January 2005). The actual completion date for the share split and bonus issue is on 1 June 2005 and 2 June 2005 respectively. Please refer to the Notes A10 (a) & (b) for the details of the said share split and bonus issue.

#### (b) Diluted earnings per share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter.

By order of the Board,  
**CNI HOLDINGS BERHAD**

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**(Dr) Koh Peng Chor**

Group Executive Chairman & Chief Executive Officer

Date: 12<sup>th</sup> July 2005