

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005**

	Individual		Cumulative	
	Current Year Quarter 31-Dec-05 (Unaudited) RM '000	Preceding Year Quarter 31-Dec-04* (Unaudited) RM '000	Current Year To Date 31-Dec-05 (Unaudited) RM '000	Preceding Year To Date 31-Dec-04* (Unaudited) RM '000
Revenue	48,432	N/A	234,277	N/A
Operating profit	4,593	N/A	41,271	N/A
Financing costs	(68)	N/A	(134)	N/A
Interest income	(287)	N/A	391	N/A
Share of profit of associate	-	N/A	-	N/A
Profit before taxation	4,238	N/A	41,528	N/A
Tax Expense	(2,623)	N/A	(12,083)	N/A
Profit after taxation	1,615	N/A	29,445	N/A
Minority interests	-	N/A	-	N/A
Net Profit for the period	1,615	N/A	29,445	N/A

Net Earnings per share(sen) 0.27 N/A 4.91 N/A

* No comparative figures are available as this is the fourth quarterly report prepared by the Company to Bursa Malaysia Securities Berhad in compliance with the Listing Requirements.

The notes set out on pages 5 to 12 form an integral part of, and should be read in conjunction with, this interim financial report

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2005**

	As at end of Current Year Quarter 31 December 2005 (Unaudited) RM '000	As at preceding Financial Year Ended 31 December 2004* RM '000
NON CURRENT ASSET		
PROPERTY, PLANT AND EQUIPMENT	66,075	N/A
INVESTMENT PROPERTIES	7,527	N/A
CAPITAL WORK IN PROGRESS	0	N/A
GOODWILL ARISING FROM CONSOLIDATION	123	N/A
	73,725	N/A
CURRENT ASSETS		
INVENTORIES & GOODS IN TRANSIT	27,909	N/A
TRADE & OTHER RECEIVABLES, DEPOSIT & PREPAYMENT	9,974	N/A
TAX RECOVERABLE	1,838	N/A
PROVISION FOR TAXATION	(372)	N/A
DEFERRED TAXATION	879	N/A
FIXED DEPOSITS & REPO	8,308	N/A
CASH IN BANK & CASH IN HAND	777	N/A
	49,313	N/A
LESS : CURRENT LIABILITIES		
TRADE PAYABLES & OTHER PAYABLES & ACCRUAL	18,579	N/A
DIVIDEND PAYABLE	0	N/A
PROVISION & CONT. LIABILITIES	185	N/A
SHORT TERM BORROWINGS	1,046	N/A
BANK OVERDRAFT	1,970	N/A
	21,780	N/A
NET CURRENT ASSETS / (LIABILITIES)	27,533	N/A
	101,258	N/A
CAPITAL AND RESERVES		
ORDINARY SHARE CAPITAL	60,000	N/A
RESERVES	21,621	N/A
SHAREHOLDERS' EQUITY/NET ASSETS	81,621	N/A
NON CURRENT LIABILITIES		
REFUNDABLE DEPOSIT	4,656	N/A
LONG TERM BORROWINGS	4,824	N/A
PROVISION FOR RETIREMENT BENEFIT	10,157	N/A
	101,258	N/A
Net Assets	81,621	N/A
Net Assets per share (RM)	0.14	N/A

* No comparative figures are available as it is the fourth quarterly report prepared by the Company to Bursa Malaysia Securities Berhad in compliance with the Listing Requirements.

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CNI HOLDINGS BERHAD

(Company no. : 181758-A)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005**

	SHARE CAPITAL RM '000	SHARE PREMIUM RM '000	CAPITAL RESERVE RM '000	RESERVE ON CONSOLIDATION RM '000	TRANSLATION RESERVE RM '000	RETAINED PROFITS RM '000	TOTAL RM '000
GROUP							
As at 01 January 2005	2,697	5,705	22,100	694	(75)	33,406	64,527
Issuance of bonus share	57,303	(4,205)	(22,100)	-	-	(30,998)	-
Foreign exchange translation difference	-	-	-	-	(51)	-	(51)
IPO expenses	-	(1,500)	-	-	-	-	(1,500)
Net profit for the period	-	-	-	-	-	29,445	29,445
Interim dividends	-	-	-	-	-	(10,800)	(10,800)
As at 31 December 2005	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>694</u>	<u>(126)</u>	<u>21,053</u>	<u>81,621</u>

The notes set out on pages 5 to 12 form an integral part of, and should be read in conjunction with, this interim financial report

CNI HOLDINGS BERHAD (Company No.: 181758-A)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005**

	Unaudited RM'000
Cash flow from/(for) operating activities	
Profit before taxation	41,528
Adjustment for:	
Depreciation	4,581
Retirement benefits expenses	1,169
Gain on sale of property, plant and equipment	(274)
Property, plant and equipment written off	14
Bad debts written off	278
Unrealised loss on foreign exchange	0
Expenses relating to IPO activities *	(1,500)
Impairment loss	3,607
Employee benefit expenses	185
Interest income	(391)
Interest paid	134
Operating profit before working capital changes	<u>49,331</u>
Changes in working capital	
Decrease in inventories	6,025
Decrease in receivables	3,243
Decrease in payables	(11,998)
Cash generated from/(for) operations	<u>46,601</u>
Interest income	391
Interest paid	(134)
Tax paid	<u>(14,811)</u>
Net cash generated from/(for) operating activities	32,047
Cash flows from/(for) investing activities	
Proceeds from disposal of property, plant and equipment	790
Withdrawal of fixed deposit	529
Purchase of property, plant and equipment	(13,655)
<i>Net cash outflow from investing activities</i>	<i>(12,336)</i>
Cash flows from/(for) financing activities	
Repayment of short term borrowings	(74)
Proceed from bank borrowings	4,916
Dividend paid	(53,132)
Expenses relating to IPO activities *	0
	<u>(48,290)</u>
Net increase in cash and cash equivalent	(28,579)
Cash and cash equivalent at beginning of the period	35,985
Effect of foreign exchange rate changes on cash balances	(291)
Cash and cash equivalent at end of the period	<u><u>7,115</u></u>
Cash and cash equivalent included in the condensed consolidated cash flow statement comprise the following:	
Cash at bank and in hand	777
Cash deposits with licensed banks	8,308
Bank overdraft	(1,970)
Cash and cash equivalents	<u><u>7,115</u></u>

Note :

* The total IPO expenses incurred for the year ended 31.12.05 is RM2,876 thousand, of which, RM1,500 thousand has been offset against Share Premium account.

The notes set on pages 5 to 12 form an integral part of, and should be read in conjunction with, this interim financial report

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005.**

A. DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARDS (“FRS”) 134

A1. 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 28th June 2005.

A2. 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.

A3. Seasonal or Cyclical Factors

CNI distributes its products primarily through its distributors. As such, the sales volume of the company is directly dependent on its productivity of its distributors and/or growth in the total number of distributors, since more than 80% of its distributors consist of Malay and Indian, the revenue of the company for the quarter under review is affected as the fasting month, Hari Raya Puasa and Deepavali fell during this period. In addition, families have to reserve funds during November and December for school fees, uniforms and stationaries. This pattern is in line with the forecast and expectation of the Group.

A4. 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 except for those disclosed under B4.

A5. Material Changes in Estimates

There were no material changes in estimate as compared to the preceding quarter.

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

A6. Debts and Equity Securities

On 4 August 2005, the entire issued and paid-up share capital of the company comprising 600,000,000 Shares were quoted on the Main Board of the Bursa Malaysia Securities Berhad.

A7. Dividend Paid

See Note B12 for the Interim Dividend.

A8. Segmental Reporting

	Twelve (12) months ended 31/12/05
Revenue	(RM'000)
Multi-level Marketing	219,082
Contract Manufacturing	14,425
Others	770
Total Revenue	<u><u>234,277</u></u>

A9. 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 except for impairment of assets disclosed under B4.

A10. Event subsequent to the End of the Period

There is no material event subsequent to the reporting period up to 27 February 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) which has not been reflected in the financial statement for the quarter under review.

A11. Change in Group / Capital Structure

There were no changes in the composition of the Company/Group including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring & discontinuing operations during the quarter under review.

A12. Contingent Liabilities

There were no 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

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

for the Year of Assessment 1996-2000. As at 27 February 2006, the Inland Revenue Board has not reverted in respect of the appeal; and

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. The parties reached an amicable settlement and the case was withdrawn.

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

B1. Review of Performance

For the reporting quarter, the Group's recorded revenue of RM48.43 million was contributed mainly from multi-level marketing sales of health care and consumer products and contract manufacturing. Accumulatively, the Group recorded revenue of RM234.28 million for the financial year ended 31 December 2005.

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM4.24 million and RM1.62 million respectively for the reporting quarter. Accumulatively, the Group achieved a PBT and PAT of RM41.53 million and RM29.45 million respectively for the financial year ended 31 December 2005.

B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

For the current quarter under review, the Group recorded revenue of RM48.43 million and PBT of RM4.24 million as compared to RM59.26 million and PBT of RM 10.49 million in the preceding quarter. The decrease in revenue was mainly due to seasonal factors as explained in A3. However, the PBT/revenue ratio is lower compared to preceding quarter due to the impairment loss on investment properties of RM3.61 million charged in the current quarter.

B3. Future Year Prospects

The following table sets out the summary of the consolidated profit forecast and growth plans of CNI for the financial year ended 31 December 2006:

<u>For the year ended 31 Dec 06</u>	Forecast
	(RM'000)
Turnover / Revenue	<u>260,000</u>
Profit Before Tax	53,210
Taxation	(14,430)

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

Profit After Tax 38,780

CNI will concentrate on its Multilevel Marketing businesses, focusing on distribution and sales of healthcare and consumer products.

- Introduction of new products in year 2006

There will be 26 new products to be launched to sustain the company growth as well as to meet with customers' demand & expectation.

CNI WaterLife System, Omega 3 and Ester C are among the products which are expected to contribute additional revenue.

- Strengthen its distributors force

CNI will strengthen its distributors force by full implementation of Business Education System (BES) to increase its distributors' sales productivity and to organize productivity drive campaigns with the objective of rewarding distributors and give recognition for their achievement.

- Expanding the distribution network
- Increase distributorship in Chinese market
- Increase group's sales in non-Multilevel Marketing business

B4. Variances from Profit Forecasts

<u>For the year ended 31 Dec 05</u>	Forecast	Actual	Variance
	(RM'000)	(RM'000)	(%)
Turnover / Revenue	317,085	234,277	26.1%
Profit Before Tax	66,221	41,528	37.3%
Taxation	(17,876)	(12,083)	
Profit After Tax	48,345	29,445	39.1%

The non-achievement of the Profit Forecast is primarily due to :-

- i. Decrease in sales revenue
- ii. Increase in cost of sales especially increase in raw material cost
- iii. Increase in overheads to sales ratio
- iv. Increase in effective tax rate
- v. Recognition of impairment loss of RM3.61 million for investment properties

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

The shortfall in sales forecast is primarily due to the following factors :-

Internal Factors:-

- (a) Delay in the launch of certain new products. As at to-date, we have launched a few of these products in the first quarter of year 2006.
- (b) Counter actions taken by the company to reduce the impact of price-cutting sales and to promote healthy sales practice. These actions taken have shown positive results and have regained distributors' confidence.
- (c) In the effort to promote long term healthy sales practices and improve the quality and productivity of its distributors, management increased the qualification for entitlements to certain commissions. This has affected the company's short term performance and correspondingly, reduced the number of new recruitments.

External Factors:-

- (a) Lower than expected economic conditions and purchasing power in Malaysia
- (b) Intense competition of coffee-based products

In response, the management has taken the following actions and these actions have shown positive results:-

- (i) Conducted discussions with top sales leaders to provide them with better understanding of the necessity to implement healthy sales practices as stated in Internal Factors (b) and (c) above,
- (ii) Setting up of more strategic distribution centres and sales points and increase market coverage and penetration,
- (iii) To organize productivity drive campaigns with the objective of rewarding distributors and give recognition to their achievement,
- (iv) Launching of business education programs for distributors to standardise business and training programs and to ensure conformity of the company's accepted business standards with the company's training objectives, and
- (v) To encourage aggressive tours and factory visits to gain confidence and inside awareness of the CNI Group.

B5. Taxation

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

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

	Current Quarter	Year to date
Current quarter/year provision	2,522	11,863
Transfer to/(from) deferred taxation	101	220
	<u>2,623</u>	<u>12,083</u>

B6. 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 RM4,834.05 and RM10,788.60 respectively.

B7. Purchase and Disposal of Quoted Securities

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

B8. Status of Corporate Proposal

There is no corporate proposal announced as at the date of this report.

B9. Group Borrowings and Debt Securities (RM'000)

Long term borrowings (Secured) 4,824

B10. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 27 February 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11. Material Litigation

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

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

compensation and taking of formal possession of Lot 172 by the relevant authorities.

The next pretrial case management has been fixed for mention on 17 April 2006 pending settlement of the matter listed in (ii) below.

- (ii) 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 has been fixed for mention on 17 April 2006 pending settlement.

- (iii) A suit was filed at the Kota Bahru High Court against CNI Enterprise (M) Sdn Bhd (“CNIE”), a wholly owned subsidiary of the Company by Mohammad Zamri Bin Wan Chik (“Zamri”) on 5 February 2005 for alleged wrongful termination as CNIE’s distributor and sales point operator. Zamri is seeking 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. The next pre-trial case management is fixed on 27 February 2006 and the presence of CNIE’s counsel exempted.

Zamri’s application to amend the Writ and Statement of Claim was heard on 16 January 2006 and order was granted with costs to be borne by Zamri.

CNIE has filed an inter-partes application for an injunction against Zamri to, *inter alia*, restrain him from selling CNIE’s products. The matter is fixed for hearing on 27 February 2006.

B12. Dividend

An interim dividend of 2.5 sen per share less 28% income tax has been declared on 22 August 2005, based on the existing share capital of 600,000,000 ordinary share of RM0.10 each. The payment had made on 28 October 2005.

A second interim dividend of 1.5 sen per share less 28% income tax has been declared on 27 February 2006, based on the existing share capital of 600,000,000 ordinary share of RM0.10 each.

In respect of deposited securities, entitlement to the interim dividend has been determined based on shareholders registered in the record of depositors as at 27 April 2006. The payment date is 11 May 2006.

B13. Earnings Per Share

CNI Holdings Berhad (Company No : 181758-A)

Quarterly Unaudited Financial Results of the Group for the Fourth Quarter Ended 31 December 2005

(a) Earnings per share

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

	Current Year Quarter 31-Dec-05	Curent Year To-date 31-Dec-05
	(RM'000)	(RM'000)
Profit after taxation and minority interest (RM)	1,615	29,445
Number of ordinary share	600,000,000	600,000,000
Basic earnings per ordinary share (sen)	<u>0.27</u>	<u>4.91</u>

(b) Diluted earnings per share

There were 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

Dato' (Dr) Koh Peng Chor
Group Executive Chairman & Chief Executive Officer
Date: 27 February 2006