

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the Third Quarter Ended 30 September 2006**

	Individual Period		Cumulative Period	
	30-Sep-06 RM '000	30-Sep-05 RM '000	30-Sep-06 RM '000	30-Sep-05 RM '000
Continuing Operations				
Revenue	50,534	59,257	157,138	185,845
Operating profit	9,390	10,487	31,839	36,998
Financing costs	(59)	(51)	(193)	(106)
Interest income	193	52	377	397
Share of profit of associate	-	-	-	-
Profit before tax	9,524	10,488	32,023	37,289
Taxation	(2,296)	(2,927)	(8,183)	(9,459)
Profit for the period	7,228	7,561	23,840	27,830
Attributable to :				
Shareholders of the Company	7,228	7,561	23,840	27,830
Minority interests	-	-	-	-
Profit after tax for the period	7,228	7,561	23,840	27,830
Earnings per share(sen)				
Basic	1.00	1.05	3.31	3.87
Diluted	NA	NA	NA	NA

Notes :-

- 1) NA denotes "Not Applicable"
- 2) Financing costs for the corresponding period has been restated for borrowing costs only.
- 3) Interest income for the corresponding period has been restated by eliminating inter-company interest.

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 SEPTEMBER 2006

	Unaudited As at 30-Sep-06 RM '000	Audited As at 31-Dec-05 RM '000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	63,886	66,467
Investment properties	8,448	7,527
Capital work in progress	1,848	1,341
Intangible assets	2	2
Deferred tax assets	2,238	1,788
	<u>76,422</u>	<u>77,125</u>
Current assets		
Inventories	23,767	27,917
Trade receivables	6,717	4,027
Other receivables	5,455	4,263
Tax assets	194	1,809
Cash and bank balances	32,487	9,085
	<u>68,620</u>	<u>47,101</u>
TOTAL ASSETS	<u>145,042</u>	<u>124,226</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	72,000	60,000
Treasury shares	(70)	-
Other reserves	12,162	(127)
Retained earnings	15,037	21,849
Total equity	<u>99,129</u>	<u>81,722</u>
Non-current liabilities		
Refundable deposit	4,699	4,656
Borrowings	4,444	4,825
Retirement benefit obligation	11,039	10,157
Deferred tax liabilities	1,440	707
	<u>21,622</u>	<u>20,345</u>
Current liabilities		
Trade payables	5,804	5,031
Other payables	11,688	12,970
Dividend payable	0	-
Current tax payables	(711)	347
Provision & cont. Liabilities	2,116	795
Borrowings	423	1,046
Bank overdraft	4,971	1,970
	<u>24,291</u>	<u>22,159</u>
Total liabilities	<u>45,913</u>	<u>42,504</u>
TOTAL EQUITY AND LIABILITES	<u>145,042</u>	<u>124,226</u>
Net Assets	99,129	81,722
Net Assets per share (RM)	0.14	0.11

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Third Quarter Ended 30 September 2006

	Share Capital RM '000	Treasury Share RM '000	Reserves		Distributable Retained Earnings RM '000	Total Equity RM '000
			Share Premium RM '000	Other Reserve RM '000		
As at 1 January 2005	2,697		5,705	22,719	33,406	64,527
Issuance of bonus share	57,303		(4,205)	(22,100)	(30,998)	-
Foreign exchange translation				(52)		(52)
Listing expenses written off			(1,500)			(1,500)
Profit for the period					29,668	29,668
Interim dividends of RM0.025 per share less 28% tax					(10,800)	(10,800)
As at 31 December 2005	60,000	-	-	567	21,276	81,843
As at 1 January 2006	60,000		-	567	21,276	81,843
As previously reported						
Effects of adopting FRS 3				(694)	573	(121)
As at 1 January 2006 (restated)	60,000	-	-	(127)	21,849	81,722
Foreign exchange translation				117		117
Net profit for the period					23,840	23,840
Issuance of bonus share	12,000				(12,000)	-
Purchase of treasury shares		(70)				(70)
Interim dividends					(6,480)	(6,480)
As at 30 September 2006	72,000	(70)	-	(10)	27,209	99,129

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the Third Quarter Ended 30 September 2006

	Third quarter ended	
	30-Sep-06 RM'000	30-Sep-05 RM'000
Net cash generated from operating activities	29,542	26,762
Net cash used in investing activities	(1,619)	(12,940)
Net cash used for financing activities	(7,452)	(42,153)
Net increase in cash and cash equivalent	20,471	(28,331)
Effects of foreign exchange rate changes	(70)	417
Cash and cash equivalent at beginning of financial period	7,115	35,985
Cash and cash equivalent at end of financial period	27,516	8,071

Cash and cash equivalent at the end of the financial period comprise the following:

	As at	As at
	30-Sep-06 RM'000	30-Sep-05 RM'000
Cash and bank balances	32,487	10,390
Bank overdraft	(4,971)	(2,319)
Cash and cash equivalents	<u>27,516</u>	<u>8,071</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134

A1. Basis of Preparation

The interim financial report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting and Paragraph 9.22 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 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2005.

A2. Changes in Accounting Policies

The adoption of new and revised FRS which resulted in changes in accounting policies and methods of computation are as follows:

(a) FRS 3: Business Combination and FRS 136: Impairment of Assets

With effect from 1 January 2006, in accordance with FRS 3 and FRS 136, the positive goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The impairment losses are recognized immediately in Income Statement when the carrying value of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount. The change in this policy has resulted a positive goodwill been recognized in retained earnings, the intangible assets and retained earnings as at 1 January 2006 have been restated by RM120,971.

Also with effect from 1 January 2006 and in accordance to FRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid, the excess is recognized immediately in the Income Statement as it arises. In compliance to this FRS, the negative goodwill as at 1 January 2006 of RM693,674 was recognized with a corresponding increase in retained earnings.

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(b) FRS 140: Investment Property

With effect from 1 January 2006, all the investment properties are stated at fair value, the change in this policy has resulted a fair value adjustment of RM920,589 be recognized in the income statement and this has increased the Group profit after tax for the 9 months ended 30 Sept 2006 for the corresponding amount.

A3. Audit Report on Preceding Annual Financial Statements

There was no audit qualification on the audit report of the Company's audited financial statements for the financial year ended 31 December 2005.

A4. Seasonal or Cyclical Factors

The group's performance is affected by seasonal or cyclical events on quarter-to-quarter basis; the demand may be skewed towards the major festivities such as Hari Raya Puasa and Chinese New Year, which normally occur at the beginning and end of the calendar year. This pattern is in line with the forecast and expectation of the Group.

A5. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence during the quarter under review except as disclosed in A2.

A6. Material Changes in Estimates

There were no material changes in estimate as compared to the preceding quarter or previous financial year.

A7. Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review except for the following:-

- i) The issuance of 120,000,000 new ordinary shares of RM0.10 in the Company pursuant to the Bonus Issue.
- ii) The repurchase of 141,200 of its own ordinary shares from the open market for a total consideration of RM69,531 including transaction costs and it was financed by internally generated funds. The average purchase price paid for the share repurchased was RM0.49 per share. The shares repurchased were held as treasury shares in accordance with Section 67A of Companies Act 1965 and stated at cost.

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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2006

As at 30 September 2006, the number of treasury share held is 141,200 ordinary shares.

A8. Dividend Paid

There was no dividend paid during the current quarter.

A9. Segmental Reporting

	Current Quarter	Year to-date
	30-Sep-06	30-Sep-06
Revenue	(RM'000)	(RM'000)
Multilevel Marketing	46,869	147,388
Contract Manufacturing	3,548	9,402
Investment Holding	117	348
Total Revenue	50,534	157,138

A10. Valuations of Property, Plant and Equipment

The valuations of property, plant & equipment have been brought forward, without any amendments from the audited financial statements for the financial year ended 31 December 2005.

A11. Events Subsequent to the End of the Period

The material events subsequent to the reporting period up to 27 November 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), which have not been reflected, in the financial statements for the quarter under review are as follows:-

- i) The repurchase of 606,500 of the Company's issued share capital from the open market. The average purchase price paid for the share repurchased was RM0.46 per share. The repurchased transactions were financed by internally generated funds and the cumulative shares repurchased of 747,700 are being held as treasury shares.
- ii) The fixed assets written off of which the net book value of the assets as at 30 October 2006 is approximately RM40,006.

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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2006

A12. 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 except for the acquisition of 100% equity interest in Key Elite Sdn Bhd (“KESB”) by the Company for a cash consideration of RM2 and subsequent increased of KESB’s share capital to RM100,000.

A13. Contingent Liabilities

Save as disclosed below, there were no contingent liabilities as at 27 November 2006:

- (a) Additional tax liabilities of RM652,393 imposed by Inland Revenue Board for Year of Assessment 1996 to 2000 not accounted for in the financial statements pending appeal by the subsidiary company.
- (b) Corporate guarantees of RM35.45 millions for banking facilities granted to its subsidiaries.

A14. Capital Commitments

The outstanding capital commitments at the end of the current quarter are as follows:

	Year to-date 30-Sep-06 (RM'000)
In respect of capital expenditure approved and contracted for :-	
Purchase of property, plant and equipment	1,980
Acquisition of service apartment	36
	<u>2,016</u>

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

For the reporting quarter, the Group's recorded revenue of RM50.5 million as compared to RM59.3 million in the preceding year corresponding quarter, contributed mainly from multilevel marketing sales of health care and consumer products and contract manufacturing. Accumulatively, the Group recorded revenue of RM157.1 million for the 9 months period ended 30 September 2006 ("cumulative quarter").

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM9.5 million and RM7.2 million respectively for the reporting quarter, compared to RM10.5 million and RM7.6 million respectively in the preceding year corresponding quarter. Accumulatively, the Group achieved a PBT and PAT of RM32.0 million and RM23.8 million respectively for the cumulative quarters.

The lower revenue recorded in the current quarter as compared with the preceding year corresponding quarter, was mainly due to the drop in the demand of coffee based products.

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

For the current quarter under review, the Group recorded a PBT of RM9.5 million, which was 16% lower than immediate preceding quarter of RM11.3 million. The decline in PBT as compared to the immediate preceding quarter was mainly due to the overall 8% drop in sales revenue contributed from multilevel marketing despite an increase in sales revenue of 26% from contract manufacturing.

B3. Prospects

CNI is continuing concentration on its Multilevel Marketing businesses, focusing on distribution and sales of healthcare and consumer products. CNI will continue to introduce new and upgraded products which are targeted to sustain the Group's growth as well as to meet the customers' demands and expectations for the remaining period of the year.

CNI is currently optimizing its existing facilities at its factory with the objective of expanding its contract manufacturing business so as to enhance its earning revenue in the local and export markets.

CNI intends to launch its e-Commerce as a new business by end of this year.

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B4. Variances from Profit Forecasts

Not applicable.

B5. Taxation

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

	Current Quarter	Year to-date
	30-Sep-06	30-Sep-06
	RM'000	RM'000
Current quarter/year provision	2,260	7,901
Transfer to/(from) deferred taxation	36	283
	2,296	8,183

The effective tax rate of the Group is lower than the statutory tax rate principally due to tax incentives enjoyed by certain subsidiary companies and non-taxable income arises due to changes in accounting policies.

B6. Sale of unquoted investment and/or properties

There were no sales of investments and/or properties during the quarter under review except as disclosed at B7.

The gain and loss on disposal of fixed assets for the quarter under review amounted to RM2,199 and RM9,323 respectively.

B7. Purchase and Disposal of Quoted Securities

(a) The dealings in quoted securities for the current quarter and for the third quarter ended 30 September 2006 are as follows:

	Current quarter RM'000	Year-to-date RM'000
Total purchases at cost	213	213
Total disposal proceeds	89	89
Total gain on disposal	0.3	0.3

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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2006

(b) The details of the investment in quoted shares, excluding subsidiaries and associates, as at 30 September 2006 are set out below:

	RM'000
Total investment at cost	124
Total investment at book value	124
Total investment at market value	126

B8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 27 November 2006 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

B9. Group Borrowings and Debt Securities

	Current Year to-date 30/09/06 (RM'000)
Short term borrowing (Secured)	423
Long term borrowing (Secured)	4,444
	<u>4,867</u>

B10. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 27 November 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11. Material Litigation

Save as disclosed below, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the Group's financial position or business, and the Directors are not aware of any proceedings, pending or threatened, against the Company and/or any of its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the Group's financial position or business:

- (i) Exclusive Mark (M) Sdn Bhd ("EM"), a wholly-owned subsidiary of the Company, had on 11 December 2003 filed a suit against the Titular Roman Catholic Archbishop of Kuala Lumpur ("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

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received any notice from the relevant land office in respect of the award of compensation and the taking of formal possession of Lot 172 by the relevant authorities. The matter has been fixed for mention on 13th December 2006 pending settlement of the matter listed in item (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 Shah Alam High Court had on 4 February 2004 granted EM leave for hearing of the substantive application. EM had filed an application to amend the Order 53 Statement to include a claim for general damages and special damages of RM10,313,983.57 for, inter alia, loss of the use of Lot 172 and the cost of renovating their existing warehouse. The Summons in Chamber for the amendment had been filed on 17 April 2006 and is pending extraction of the sealed copy. The matter has been fixed for mention on 13th December 2006.
- (iii) A suit was filed at the Kota Bahru High Court by Mohammad Zamri bin Wan Chik (“Plaintiff”) against CNI Enterprise (M) Sdn Bhd (“CNIE”) on 5 February 2005 for the Plaintiff’s alleged wrongful termination as CNIE’s distributor and sales point operator. The Plaintiff 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. The Plaintiff’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 Court has granted the order for the Plaintiff’s application to amend the Writ and Statement of Claim on 16 January 2006 with costs to be borne by the Plaintiff. CNIE has filed an inter-partes application for an interim injunction against the Plaintiff to, inter alia, restrain him from selling CNIE’s products. The Court has on 18 July 2006 granted the order for the said injunction against the Plaintiff on condition that a sum of RM250,000.00 be deposited with the Court to fortify CNI’s undertaking as to damages. CNI has since deposited the said amount with the Court on 25 July 2006. The case is fixed for case management on 17 January 2007.

B12. Dividend Payable

The Board of Directors has declared an interim dividend of 1.5 sen per share (second quarter 2005: 2.5 sen per share) less income tax of 28% for the financial year ending 31 December 2006 on 27 November 2006. The interim dividend will be paid on 19 January 2007 to the depositors registered in the Record of Depositors at the close of business on 21 December 2006.

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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2006

B13. Earnings Per Share

(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 Quarter 30-Sep-06	Curent Year To-date 30-Sep-06
Profit attributable to the equity holders of the Parent (RM)	7,228,000	23,840,000
Weighted average number of ordinary share	719,858,800	719,858,800
Basic earnings per ordinary share (sen)	<u>1.00</u>	<u>3.31</u>

(b) Diluted earnings per share

There were no diluted earning 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' Koh Peng Chor
Group Executive Chairman & Chief Executive Officer
Date: 27 November 2006