

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**For the Fourth Quarter Ended 31 December 2006**

	Individual Period		Cumulative Period	
	31-Dec-06 Unaudited RM '000	31-Dec-05 Unaudited RM '000	31-Dec-06 Unaudited RM '000	31-Dec-05 Unaudited RM '000
Continuing Operations				
Revenue	46,868	48,432	204,006	234,277
Operating profit	4,083	4,308	35,972	41,307
Financing costs	(66)	(65)	(259)	(171)
Interest income	265	(5)	593	392
Share of profit of associate	-	-	-	-
Profit before tax	4,282	4,238	36,306	41,528
Taxation	(1,100)	(2,623)	(9,284)	(12,083)
Profit for the period	3,182	1,615	27,022	29,445
Attributable to :				
Shareholders of the Company	3,182	1,615	27,022	29,445
Minority interests	-	-	-	-
Profit after tax for the period	3,182	1,615	27,022	29,445
Earnings per share(sen)				
Basic	0.44	0.22	3.76	4.10
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 31 DECEMBER 2006

	Unaudited As at 31/12/2006 RM '000	Audited As at 31/12/2005 RM '000 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	57,364	66,467
Investment properties	10,010	8,448
Capital work in progress	2,044	1,341
Intangible assets	2	2
Deferred tax assets	2,394	1,788
	<u>71,814</u>	<u>78,046</u>
Current assets		
Inventories	22,840	27,917
Trade and other receivables	14,536	8,290
Assets for sale	5,259	0
Tax assets	2,163	1,809
Cash and bank balances	32,934	9,085
	<u>77,732</u>	<u>47,101</u>
TOTAL ASSETS	<u>149,546</u>	<u>125,147</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	72,000	60,000
Treasury shares	(527)	0
Other reserves	(2)	(127)
Retained earnings	23,438	22,770
Total equity	<u>94,909</u>	<u>82,643</u>
Non-current liabilities		
Refundable deposit	4,686	4,656
Borrowings	215	4,825
Hire purchase payable	0	0
Retirement benefit obligation	11,333	10,157
Deferred tax liabilities	1,440	707
	<u>17,674</u>	<u>20,345</u>
Current liabilities		
Trade payables	6,541	5,031
Other payables and accruals	13,848	12,970
Dividend payable	7,874	0
Current tax payables	166	347
Provision & cont. Liabilities	2,119	795
Hire purchase payable	0	0
Borrowings	4,554	1,046
Bank overdraft	1,861	1,970
	<u>36,963</u>	<u>22,159</u>
Total liabilities	<u>54,637</u>	<u>42,504</u>
TOTAL EQUITY AND LIABILITES	<u>149,546</u>	<u>125,147</u>
Net Assets	94,909	82,643
Net Assets per share (RM)	0.13	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 Fourth Quarter Ended 31 December 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)
Effects of adopting FRS 140					921	921
As at 01 January 2006 (restated)	60,000	-	-	(127)	22,770	82,643
Foreign exchange translation				125		125
Net profit for the period					27,022	27,022
Issuance of bonus share	12,000				(12,000)	-
Purchase of treasury shares		(527)				(527)
Interim dividends					(14,354)	(14,354)
As at 31 December 2006	72,000	(527)	-	(2)	23,438	94,909

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 Fourth Quarter Ended 31 December 2006

	Fourth quarter ended	
	31-Dec-06 RM'000	31-Dec-05 RM'000
Net cash generated from operating activities	34,788	33,050
Net cash used in investing activities	(3,304)	(12,727)
Net cash used for financing activities	(7,512)	(48,902)
Net increase in cash and cash equivalent	23,972	(28,579)
Effects of foreign exchange rate changes	(14)	(291)
Cash and cash equivalent at beginning of financial period	7,115	35,985
Cash and cash equivalent at end of financial period	31,073	7,115

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

	As at	As at
	31-Dec-06 RM'000	31-Dec-05 RM'000
Cash and bank balances	32,934	9,085
Bank overdraft	(1,861)	(1,970)
Cash and cash equivalents	31,073	7,115

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.

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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, which representing open-market value determined by external valuers. The change in this policy has resulted a fair value adjustment of RM920,589 been recognized in retained earning.

Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. In the current quarter, a fair value adjustment of RM1,562,000 be recognized in the income statement and this has increased the Group profit after tax for the 12 months ended 31 December 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 repurchased of 978,100 of the Company's issued ordinary shares from the open market at an average price of RM0.47 per share. The total consideration paid for the repurchase including transaction costs was RM457,582 and this was financed by internally

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generated funds. The shares repurchased were being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

As at 31 December 2006, the number of treasury share held is 1,119,300 ordinary shares.

A8. Dividend Paid

Please refer to Note B12 for an interim dividend paid.

A9. Segmental Reporting

	Current Quarter	Year to-date
	31-Dec-06	31-Dec-06
Revenue	(RM'000)	(RM'000)
Multilevel Marketing	42,021	189,409
Contract Manufacturing	4,700	14,102
Investment Holding	132	480
E-commerce	15	15
Total Revenue	<u>46,868</u>	<u>204,006</u>

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 26 February 2007 (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:-

On 16 February 2007, Creative Network International (S) Pte Ltd (“CNIS”), wholly-owned subsidiary of the Company entered into an option for the disposal of a property in Singapore for a total consideration of Singapore Dollars Two Million Three Hundred Thousand Only (S\$2,300,000). The proceeds from the disposal would be utilized to settle the outstanding bank loan and the remaining as working capital.

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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.

A13. Contingent Liabilities

Save as disclosed below, there were no contingent liabilities as at 26 February 2007:

- (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 31-Dec-06 (RM000)
In respect of capital expenditure approved and contracted for :-	
Purchase of property, plant and equipment	1,762
Acquisition of service apartment	36
	<u>1,798</u>

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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 RM46.9 million as compared to RM48.3 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 RM204,006 million for the financial year ended 31 December 2006 ("cumulative quarter").

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM4.3 million and RM3.2 million respectively for the reporting quarter, compared to RM4.2 million and RM1.6 million respectively in the preceding year corresponding quarter. Accumulatively, the Group achieved a PBT and PAT of RM36.3 million and RM27.0 million respectively for the cumulative quarters.

The 3% drop in revenue recorded in the current quarter as compared with the preceding year corresponding quarter, was mainly due to the drop in the demand for 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 RM4.3 million, which was 55% lower than immediate preceding quarter of RM9.5 million. The decline in PBT as compared to the immediate preceding quarter was primarily due to seasonal factors as explained in Note A4. Nevertheless, there were an increase in sales revenue of 32% and 13% from contract manufacturing and investment holdings respectively.

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 in year 2007.

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.

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B4. Variances from Profit Forecasts

	Unaudited Forecast 31-Dec-06 RM'000	Unaudited Actual 31-Dec-06 RM'000	Variance %
Revenue	202,613	204,006	1%
Profit before taxation	37,575	36,306	-3%
Taxation	(9,981)	(9,284)	-7%
Profit after taxation	27,594	27,022	-2%

B5. Taxation

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

	Current Quarter 31-Dec-06 RM'000	Year to-date 31-Dec-06 RM'000
Current quarter/year provision	1,256	9,157
Transfer to/(from) deferred taxation	(156)	127
	1,100	9,284

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 arising 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.

B7. Purchase and Disposal of Quoted Securities

(a) The dealings in quoted securities for the current quarter and for the financial year ended 31 December 2006 are as follows:

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	Current quarter RM'000	Year-to-date RM'000
Total purchases at cost	424	637
Total disposal proceeds	211	300
Total gain on disposal	21	21

(b) The details of the investment in quoted shares, excluding subsidiaries and associates, as at 31 December 2006 are set out below:

	RM'000
Total investment at cost	358
Total investment at book value	358
Total investment at market value	376

B8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 26 February 2007 (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 31/12/06 (RM'000)
Short term borrowing (Secured)	4,554
Long term borrowing (Secured)	215
	<u>4,769</u>

B10. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 26 February 2007 (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:

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- (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 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 6 March 2007 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 6 March 2007.
- (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 CNIE’s undertaking as to damages. CNIE has since deposited the said amount with the Court on 25 July 2006. The case management fixed on 17 January 2007 has been adjourned by the Court to 13 March 2007.

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B12. Dividend Payable

An interim dividend of 1.5 sen per share less 27% income tax has been declared on 27 November 2006. The interim dividend net of income tax of RM7,873,684 was paid on 19 January 2007.

The Board of Directors has declared a second interim dividend of 1.5 sen per share less income tax for the financial year ended 31 December 2006 on 26 February 2007. The second interim dividend will be paid on 13 April 2007 to the depositors registered in the Record of Depositors at the close of business on 15 March 2007.

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 31-Dec-06	Curent Year To-date 31-Dec-06
Profit attributable to the equity holders of the Parent (RM'000)	3,182	27,022
Weighted average number of ordinary share ('000)	718,881	718,881
Basic earnings per ordinary share (sen)	<u>0.44</u>	<u>3.76</u>

(b) Diluted earnings per share

There was 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: 26 February 2007