

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the Second Quarter Ended 30 June 2007**

	Individual Period		Cumulative Period	
	30-Jun-07 Unaudited RM '000	30-Jun-06 Unaudited RM '000	30-Jun-07 Unaudited RM '000	30-Jun-06 Unaudited RM '000
Continuing Operations				
Revenue	47,555	53,749	93,285	106,604
Operating profit	6,887	11,242	14,016	22,400
Financing costs	(30)	(67)	(95)	(135)
Interest income	195	168	404	234
Share of profit of associate	-	-	-	-
Profit before tax	7,052	11,343	14,325	22,499
Taxation	(2,011)	(3,157)	(4,042)	(5,887)
Profit for the period	5,041	8,186	10,283	16,612
Attributable to :				
Shareholders of the Company	5,041	8,186	10,283	16,612
Minority interests	-	-	-	-
Profit after tax for the period	5,041	8,186	10,283	16,612
Earnings per share(sen)				
Basic	0.70	1.14	1.43	2.31
Diluted	NA	NA	NA	NA

Notes :-

1) NA denotes "Not Applicable"

2) EPS for second quarter ended 30 June 2006 was restated based on 720,000,000 ordinary shares of RM0.10 each.

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements

CNI HOLDINGS BERHAD

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007	Unaudited As at 30/6/2007 RM '000	Audited As at 31/12/2006 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	56,650	56,707
Investment properties	9,965	9,965
Capital work in progress	0	0
Intangible assets	2	2
Deferred tax assets	1,965	1,912
	<u>68,582</u>	<u>68,586</u>
Current assets		
Inventories	22,085	22,839
Receivables	13,950	15,109
Assets for sale	0	5,259
Other investment	13,551	15,048
Tax assets	204	0
Cash and bank balances	13,461	17,867
	<u>63,251</u>	<u>76,122</u>
TOTAL ASSETS	<u>131,833</u>	<u>144,708</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	72,000	72,000
Treasury shares	(560)	(527)
Other reserves	154	702
Retained earnings	24,397	21,291
Total equity	<u>95,991</u>	<u>93,466</u>
Non-current liabilities		
Borrowings	211	215
Hire purchase payable	0	0
Retirement benefit obligation	11,908	11,422
Deferred tax liabilities	1,496	1,389
	<u>16,423</u>	<u>13,026</u>
Current liabilities		
Payables	23,286	23,614
Dividend payable	0	7,874
Current tax payables	(2,216)	131
Provision & cont. Liabilities	1,153	182
Hire purchase payable	0	0
Borrowings	4	469
Liability directly associated with assets held for sale	0	4,549
Bank overdraft	0	1,397
	<u>19,419</u>	<u>38,216</u>
Total liabilities	<u>35,842</u>	<u>51,242</u>
TOTAL EQUITY AND LIABILITES	<u>131,833</u>	<u>144,708</u>
Net Assets	95,991	93,466
Net Assets per share (RM)	0.13	0.13

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 Second Quarter Ended 30 June 2007**

	Share Capital RM '000	Treasury Share RM '000	Reserves				Total Equity RM '000
			Non Distributable Reserve on Consolidation RM '000	Translation Reserve RM '000	Distributable Retained Earnings RM '000		
As at 1 January 2006	60,000		694	(127)	22,286	82,853	
As previously reported						-	
Effects of adopting FRS 3			(694)		694	-	
	60,000	-	-	(127)	22,980	82,853	
Foreign exchange translation difference				136		136	
Net profit for the period					25,359	25,359	
Issuance of bonus share	12,000				(12,000)	-	
Purchase of Treasury Share		(527)				(527)	
Interim dividends					(14,354)	(14,354)	
As at 31-Dec-06	72,000	(527)	-	9	21,985	93,467	
As at 1 January 2007	72,000	(527)	-	9	21,985	93,467	
Foreign exchange translation difference				145		145	
Net profit for the period					10,283	10,283	
Issuance of bonus share	-				-	-	
Purchase of Treasury Share		(33)				(33)	
Interim dividends					(7,871)	(7,871)	
As at 30-Jun-07	72,000	(560)	-	154	24,397	95,991	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 Second Quarter Ended 30 June 2007

	Second quarter ended	
	30-Jun-07 RM'000 (Unaudited)	31-Dec-06 RM'000 (Audited)
Net cash generated from operating activities	18,775	32,989
Net cash used in investing activities	(1,105)	(16,256)
Net cash used for financing activities	(20,763)	(7,661)
Net increase in cash and cash equivalent	(3,093)	9,072
Effects of foreign exchange rate changes	84	288
Cash and cash equivalent at beginning of financial period	16,470	7,115
Effects of exchange rate changes on cash and cash equivalents		(5)
Cash and cash equivalent at end of financial period	13,461	16,470

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

	As at 30-Jun-07 RM'000	As at 31-Dec-06 RM'000
Cash and bank balances	13,148	17,867
Bank overdraft	313	(1,397)
Cash and cash equivalents	13,461	16,470

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

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

A1. Basis of Preparation

The interim financial report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standard (“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 2006.

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 2006.

A2. 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 2006.

A3. 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.

A4. 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.

A5. Material Changes in Estimates

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

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A6. Debts and Equity Securities

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

A7. Dividend Paid

On 13 April 2007, the Company had paid an interim dividend of RM0.015 per share of RM0.10 each less 27% tax, which amounted to RM7,871,051 in respect of the financial year ended 31 December 2006.

A8. Segmental Reporting

	Current Quarter	Year to-date
	30-Jun-07	30-Jun-07
Revenue	(RM'000)	(RM'000)
Multilevel Marketing	43,096	85,374
Contract Manufacturing	4,340	7,655
Investment Holding	115	238
E-commerce	4	18
Total Revenue	47,555	93,285

A9. Valuations of Property, Plant and Equipment

The property, plant and equipment, which are stated at revalued amounts, have been brought forward without amendments from the audited financial statements for the financial year ended 31 December 2006.

A10. Events Subsequent to the End of the Period

Save as disclosed in Note B11 (i) and (ii), there were no other material events subsequent to the reporting period up to 28 August 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.

A11. Change in Group / Capital Structure

On 11 June 2007, the Company completed the acquisition of 100% equity interest in Famous Paradise Sdn Bhd (now known as Infuso Sdn Bhd) for a total cash consideration of RM2.00.

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Unaudited Financial Results of the Group for the Second Quarter Ended 30 June 2007

Other than the above, there were no other material 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

Save as disclosed below, there were no contingent liabilities as at 28 August 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 RM30.5 millions for banking facilities granted to its subsidiaries.

A13. Capital Commitments

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

	Year to-date
	30-Jun-07
	(RM'000)
In respect of capital expenditure approved and contracted for :-	
Purchase of property, plant and equipment	991
Acquisition of service apartment	36
	<u>1,027</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 RM47.6 million as compared to RM53.7 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 RM93.3 million for the 6 months period ended 30 June 2007 ("cumulative quarter").

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM7.1 million and RM5.0 million respectively for the reporting quarter, compared to RM11.3 million and RM8.2 million respectively in the preceding year corresponding quarter. Accumulatively, the Group achieved a PBT and PAT of RM14.3 million and RM10.3 million respectively for the cumulative quarters.

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 RM7.1 million, compared to RM7.3 millions in the immediate preceding quarter. The PBT was lower compared to preceding quarter, mainly due to increase in marketing and promotion expenses incurred for the current quarter.

B3. Prospects

The Group will continue with its marketing strategies to introduce new, unique, quality and upgraded wellness products. The Group also will be focusing on products segmentation and selling strategy while conducting regular and feasible promotion and campaigns.

In view of the availability and capacity of the Group's existing facilities, the Group is expanding its contract manufacturing business on premium products for local and overseas markets.

The Group has initiated on a strategic brand-building exercise to further strengthen its competitive edge in the Food and Beverage business, namely for its popular coffee product series. This branding exercise will include changes to the brand architecture, product line extensions, packaging and image redesigns, as well as related promotions and campaigns.

In line with the Group's image as a progressive and innovative company, the Group had launched its new shopping portal myCNI on 21 Jun 2007. This

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platform is expected to enhance the Group's overall service and efficiency level, whilst at the same time, provide more opportunities for its business partners to earn a higher income.

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-Jun-07	30-Jun-07
	RM'000	RM'000
Current quarter/year provision	2,090	7,011
Transfer to/(from) deferred taxation	(79)	(2,968)
	2,011	4,042

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 period ended 30 June 2007 are as follows:

	Current quarter	Year-to-date
	RM'000	RM'000
Total purchases at cost	339	605
Total disposal proceeds	314	513
Total gain on disposal	31	52

(b) The details of the investment in quoted shares, excluding subsidiaries and associates, as at 30 June 2007 are set out below:

	RM'000
Total investment at cost	502
Total investment at book value	502
Total investment at market value	522

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Unaudited Financial Results of the Group for the Second Quarter Ended 30 June 2007

B8. Status of Corporate Proposals

At the Annual General Meeting of the Company held on 21 June 2007, the shareholders of the Company approved the resolutions pertaining to the following:-

- (a) Renewal of shareholders' mandate and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature
- (b) Renewal of authority for the Company to purchase its own shares of up to 10% of the issued and paid-up share capital of the Company
- (c) Amendments to the Articles of Association of the Company

Other than the above, there were no other corporate proposals announced but not completed as at 28 August 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 30/06/07 (RM'000)
Short term borrowing (Secured)	4
Long term borrowing (Secured)	211
	<u>215</u>

B10. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 28 August 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:

- (i) The civil suit instituted by Exclusive Mark (M) Sdn Bhd ("EM"), a wholly-owned subsidiary of the Company, on 11 December 2003 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") has been withdrawn on 31 July 2007 with no order as to

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costs as a result of the out of court settlement of the matter listed in item (ii) below.

- (ii) The application for judicial review at the Shah Alam High Court in relation to the compulsory acquisition of Lot 172 had been settled amicable out of court and the said application has been withdrawn on 31 July 2007 with no order as to costs. A Consent Order has been entered whereby the Land Administrator is required to pay to EM a compensation sum for the acquisition of Lot 172.
- (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, amongst others, 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. On 26 February 2007, CNIE has filed an application to strike out the frivolous portion of the Plaintiff’s Statement of Claim and the matter is fixed to be heard on 14 May 2007. On 14 May 2007, the Court decided to hear the matter by written submission and has fixed the matter for decision on 25 June 2007, which date for decision was subsequently postponed to 10 September 2007. The case management has also been fixed on 11 September 2007.

B12. Dividend Payable

The Board of Directors has declared an interim dividend of 1 sen per share less income tax for the financial year ended 31 December 2007 on 28 August 2007. The interim dividend will be paid on 17 October 2007 to the depositors registered in the Record of Depositors at the close of business on 18 September 2007.

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Unaudited Financial Results of the Group for the Second Quarter Ended 30 June 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 30-Jun-07	Curent Year To-date 30-Jun-07
Profit attributable to the equity holders of the Parent (RM'000)	5,041	10,283
Weighted average number of ordinary share ('000)	719,240	719,240
Basic earnings per ordinary share (sen)	<u>0.70</u>	<u>1.43</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' Koh Peng Chor
Group Executive Chairman & Chief Executive Officer
Date: 28 August 2007