

**CNI HOLDINGS BERHAD**

(Company no. : 181758-A)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT****For the Fourth Quarter Ended 31 Dec 2007**

	Individual Period		Cumulative Period	
	31-Dec-07 Unaudited RM '000	31-Dec-06 Unaudited RM '000	31-Dec-07 Unaudited RM '000	31-Dec-06 Unaudited RM '000
<b>Continuing Operations</b>				
Revenue	41,191	46,868	180,115	204,006
Operating profit	5,836	4,083	27,178	35,972
Financing costs	(7)	(66)	(127)	(259)
Interest income	188	265	828	593
Share of profit of associate	-	-	-	-
Profit before tax	6,017	4,282	27,879	36,306
Taxation	(1,707)	(1,100)	(7,313)	(9,284)
Profit for the period	4,310	3,182	20,566	27,022
<b>Attributable to :</b>				
Shareholders of the Company	4,310	3,182	20,566	27,022
Minority interests	-	-	-	-
Profit after tax for the period	4,310	3,182	20,566	27,022
Earnings per share(sen)				
Basic	0.60	0.44	2.86	3.76
Diluted	NA	NA	NA	NA

Notes :-

1) NA denotes "Not Applicable"

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**

(Company no. : 181758-A)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31 DEC 2007

	<b>Unaudited As at 31/12/2007 RM '000</b>	<b>Audited As at 31/12/2006 RM '000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	53,200	56,707
Investment properties	7,785	9,965
Intangible assets	2	2
Deferred tax assets	1,989	1,912
	<u>62,976</u>	<u>68,586</u>
<b>Current assets</b>		
Inventories	22,533	22,839
Receivables	13,159	15,109
Assets for sale	2,150	5,259
Other investment	6,179	15,048
Tax assets	205	0
Cash and bank balances	31,283	17,867
	<u>75,509</u>	<u>76,122</u>
<b>TOTAL ASSETS</b>	<b><u>138,485</u></b>	<b><u>144,708</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders</b>		
Share capital	72,000	72,000
Treasury shares	(764)	(527)
Other reserves	(31)	702
Retained earnings	29,433	21,291
<b>Total equity</b>	<u>100,638</u>	<u>93,466</u>
<b>Non-current liabilities</b>		
Borrowings	200	215
Retirement benefit obligation	12,678	11,422
Deferred tax liabilities	1,497	1,389
	<u>14,375</u>	<u>13,026</u>
<b>Current liabilities</b>		
Payables	23,559	23,614
Dividend payable	0	7,874
Current tax payables	(467)	131
Provision & cont. Liabilities	375	182
Borrowings	5	469
Liability directly associated with assets held for sale	0	4,549
Bank overdraft	0	1,397
	<u>23,472</u>	<u>38,216</u>
Total liabilities	<u>37,847</u>	<u>51,242</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>138,485</u></b>	<b><u>144,708</u></b>
Net Assets	100,638	93,466
Net Assets per share (RM)	0.14	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

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the Fourth Quarter Ended 31 Dec 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)	
<b>As at 31-Dec-06</b>	<b>72,000</b>	<b>(527)</b>	<b>-</b>	<b>9</b>	<b>21,985</b>	<b>93,467</b>	
<b>As at 1 January 2007</b>	<b>72,000</b>	<b>(527)</b>	<b>-</b>	<b>9</b>	<b>21,985</b>	<b>93,467</b>	
Foreign exchange translation difference				(40)		(40)	
Net profit for the period					20,566	20,566	
Issuance of bonus share	-				-	-	
Purchase of Treasury Share		(237)				(237)	
Interim dividends					(13,118)	(13,118)	
<b>As at 31-Dec-07</b>	<b>72,000</b>	<b>(764)</b>	<b>-</b>	<b>(31)</b>	<b>29,433</b>	<b>100,638</b>	

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

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the Fourth Quarter Ended 31 Dec 2007**

	Fourth quarter ended	
	31-Dec-07 RM'000 (Unaudited)	31-Dec-06 RM'000 (Audited)
Net cash generated from operating activities	36,619	32,989
Net cash used in investing activities	2,188	(16,256)
Net cash used for financing activities	(26,019)	(7,661)
Net increase in cash and cash equivalent	12,788	9,072
Effects of foreign exchange rate changes	2,024	288
Cash and cash equivalent at beginning of financial period	16,471	7,115
Effects of exchange rate changes on cash and cash equivalents	-	(5)
Cash and cash equivalent at end of financial period	31,283	16,470

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

	As at	As at
	31-Dec-07 RM'000	31-Dec-06 RM'000
Cash and bank balances	31,283	17,867
Bank overdraft	-	(1,397)
<b>Cash and cash equivalents</b>	<b>31,283</b>	<b>16,470</b>

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.

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**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 except for the repurchased of 314,600 of the Company's issued ordinary shares from the open market at an average purchase price of RM0.39 per share. The total consideration paid was RM123,342 including transaction costs and it was financed by internally generated funds. The shares repurchased were being held as treasury shares in accordance with Section 6A of the Companies Act 1965.

As at 31 December 2007, the number of treasury share held is 1,692,800 ordinary shares.

### **A7. Dividend Paid**

On 17 October 2007, the Company had paid an interim dividend of RM0.01 per share of RM0.10 each less 27% income tax, which amounted to RM5,246,827 in respect of the financial year ended 31 December 2007.

### **A8. Segmental Reporting**

	<b>Current Quarter</b>	<b>Year to-date</b>
	<b>31-Dec-07</b>	<b>31-Dec-07</b>
<b>Revenue</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Multilevel Marketing	36,828	164,667
Contract Manufacturing	4,186	14,829
Investment Holding	114	476
E-commerce	14	94
Coffee chain	49	49
<b>Total Revenue</b>	<b>41,191</b>	<b>180,115</b>

### **A9. Valuations of Property, Plant and Equipment**

The fair value of investment properties are estimated based on valuation by independent professionally qualified valuers.

Other than the above, 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.

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**A10. Events Subsequent to the End of the Period**

Save as disclosed in Note B11, there were no material events subsequent to the reporting period up to 26 February 2008 (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 27 December 2007, the Company subscribed for 400,000 new ordinary shares of RM1.00 each in its wholly-owned subsidiary, Key Elite Sdn Bhd at a total cash consideration of RM400,000.

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 26 February 2008:

- (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:

	<b>Year to-date</b>
	<b>31-Dec-07</b>
	<b>(RM'000)</b>
<b>In respect of capital expenditure approved and contracted for :-</b>	
Purchase of property, plant and equipment	320
Acquisition of service apartment	36
	<u>356</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 RM41.2 million as compared to RM46.9 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 RM180.1 million for the year ended 31 December 2007 ("cumulative quarter").

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM6.0 million and RM4.3 million respectively for the reporting quarter, compared to RM4.3 million and RM3.2 million respectively in the preceding year corresponding quarter. Accumulatively, the Group achieved a PBT and PAT of RM27.9 million and RM20.6 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 RM6.0 million, compared to RM7.5 millions in the immediate preceding quarter. The decline in PBT as compared to immediate quarter was mainly due to seasonal factors as explained in Note A3. Nevertheless, there was an increase in sales revenue of 40% from contract manufacturing business.

**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. The management expects the Group to achieve satisfactory results in the financial year 2008 under normal business environment.

**B4. Variances from Profit Forecasts**

Not applicable.



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**B5. Taxation**

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

	<b>Current Quarter 31-Dec-07 RM'000</b>	<b>Year to-date 31-Dec-07 RM'000</b>
Current quarter/year provision	1,700	7,390
Transfer to/(from) deferred taxation	7	(77)
	<u>1,707</u>	<u>7,313</u>

**B6. Sale of unquoted investment and/or properties**

There were no sales of unquoted 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 31 December 2007 are as follows:

	Current quarter RM'000	Year-to-date RM'000
Total purchases at cost	79	917
Total disposal proceeds	113	992
Total gain on disposal	13	98

(b) The details of the investment in quoted shares, excluding subsidiaries and associates, as at 31 December 2007 are set out below:

	RM'000
Total investment at cost	381
Total investment at book value	381
Total investment at market value	345

**B8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 26 February 2008 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report).

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**B9. Group Borrowings and Debt Securities**

	<b>Current Year to-date</b>
	<b>31/12/07</b>
	<b>(RM'000)</b>
Short term borrowing (Secured)	5
Long term borrowing (Secured)	200
	<u>205</u>

**B10. Off Balance Sheet Financial Instruments**

There were no material financial instruments with off balance sheet risk as at 26 February 2008 (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:

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 frivolous portion of the Plaintiff's Statement of Claim. The Learned Senior Assistant Registrar has on 10 September 2007 allowed the application and the Plaintiff's claim for special damages be amended to RM295,000.00. However, the Plaintiff has filed a Notice of Appeal against the

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Senior Assistant Registrar's decision and the appeal was fixed to be heard on 16 January 2008. On 16 January 2008, the Judge directed the parties to submit their written submission on the appeal. The matter is fixed for Clarification and Case Management on 18 March 2008.

**B12. Dividend Payable**

The Board of Directors has declared a second interim dividend of 1.2 sen per share less 26% income tax for the financial year ended 31 December 2007 on 26 February 2008. The second interim dividend will be paid on 11 April 2008 to the depositors registered in the Record of Depositors at the close of business on 21 March 2008.

**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:-

	<b>Current Quarter 31-Dec-07</b>	<b>Curent Year To-date 31-Dec-07</b>
Profit attributable to the equity holders of the Parent (RM'000)	4,310	20,566
Weighted average number of ordinary share ('000)	718,730	718,730
<b>Basic earnings per ordinary share (sen)</b>	<b><u>0.60</u></b>	<b><u>2.86</u></b>

**(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**

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**Dato' Koh Peng Chor**  
Group Executive Chairman & Chief Executive Officer  
Date: 26 February 2008