

CNI HOLDINGS BERHAD

(Company no. : 181758-A)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**For the Second Quarter Ended 30 June 2008**

	Individual Period		Cumulative Period	
	30-Jun-08 Unaudited RM '000	30-Jun-07 Unaudited RM '000	30-Jun-08 Unaudited RM '000	30-Jun-07 Unaudited RM '000
Continuing Operations				
Revenue	47,253	47,555	91,897	93,285
Operating profit	6,570	6,887	13,615	14,016
Financing costs	(15)	(30)	(31)	(95)
Interest income	298	195	531	404
Share of profit of associate	-	-	-	-
Profit before tax	6,853	7,052	14,115	14,325
Taxation	(1,678)	(2,011)	(3,795)	(4,042)
Profit for the period	5,175	5,041	10,320	10,283
Attributable to :				
Shareholders of the Company	5,175	5,041	10,320	10,283
Minority interests	-	-	-	-
Profit after tax for the period	5,175	5,041	10,320	10,283
Earnings per share(sen)				
Basic	0.72	0.70	1.44	1.43
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 2007 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 JUNE 2008

	Unaudited As at 30/6/2008 RM '000	Audited As at 31/12/2007 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	52,820	53,239
Capital work in progress	0	0
Investment properties	9,085	9,935
Intangible assets	2	2
Other intangible assets	26	30
Deferred tax assets	1,990	1,965
	<u>63,923</u>	<u>65,171</u>
Current assets		
Inventories	22,463	22,528
Receivables	6,793	6,070
Other receivables, deposits & prepayment	6,159	4,534
Short term investment	24,921	6,143
Tax assets	2,056	2,124
Cash and bank balances	16,940	31,287
	<u>79,332</u>	<u>72,686</u>
TOTAL ASSETS	<u>143,255</u>	<u>137,857</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	72,000	72,000
Treasury shares	(893)	(764)
Other reserves	(1)	29
Retained earnings	33,681	29,679
Total equity	<u>104,787</u>	<u>100,944</u>
Non-current liabilities		
Borrowings	189	180
Retirement benefit obligation	13,284	12,678
Deferred tax liabilities	1,605	1,605
	<u>15,078</u>	<u>14,463</u>
Current liabilities		
Trade Payables	6,016	4,398
Other Payables	14,649	16,896
Dividend payable	0	0
Current tax payables	2,475	847
Provision & cont. Liabilities	246	284
Borrowings	4	25
Bank overdraft	0	0
	<u>23,390</u>	<u>22,450</u>
Total liabilities	<u>38,468</u>	<u>36,913</u>
TOTAL EQUITY AND LIABILITES	<u>143,255</u>	<u>137,857</u>
Net Assets	104,787	100,944
Net Assets per share (RM)	0.15	0.14

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 2008**

	Share Capital RM '000	← Non Distributable →		Distributable Retained Earnings RM '000	Total Equity RM '000
		Treasury Share RM '000	Translation Reserve RM '000		
As at 1 January 2007	72,000	(527)	9	21,985	93,467
Foreign exchange translation difference			20		20
Net profit for the period				20,812	20,812
Purchase of Treasury Share		(237)			(237)
Interim dividends				(13,118)	(13,118)
As at 31-Dec-07	72,000	(764)	29	29,679	100,944
As at 1 January 2008	72,000	(764)	29	29,679	100,944
Foreign exchange translation difference			(30)		(30)
Net profit for the period				10,378	10,378
Purchase of Treasury Share		(129)			(129)
Interim dividends				(6,376)	(6,376)
As at 30-Jun-08	72,000	(893)	(1)	33,681	104,787

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 2008

	Second quarter ended	
	30-Jun-08	30-Jun-07
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	12,089	18,775
Net cash used in investing activities	(20,057)	(1,105)
Net cash used for financing activities	(6,389)	(20,763)
Net increase in cash and cash equivalent	(14,357)	(3,093)
Effects of foreign exchange rate changes	10	84
Cash and cash equivalent at beginning of financial period	31,287	16,470
Effects of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalent at end of financial period	<u>16,940</u>	<u>13,461</u>

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

	As at	As at
	30-Jun-08	30-Jun-07
	RM'000	RM'000
Cash and bank balances	10,995	13,148
Cash deposits with licensed banks	5,945	313
Cash and cash equivalents	<u>16,940</u>	<u>13,461</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 2007.

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 2007.

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 2007.

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.

As at 30 June 2008, the number of treasury share held is 2,068,600 ordinary shares.

A7. Dividend Paid

On 11 April 2008, the company had paid a second interim dividend of 1.2 sen per share less income tax which amounted to RM6,376,679 in respect of the financial year ended 31 December 2007.

A8. Segmental Information

The segmental information of the Group for the current quarter and year-to-date was summarised as below: -

	Current Quarter		Year to-date	
	Revenue	Result	Revenue	Result
	30-Jun-08	30-Jun-08	30-Jun-08	30-Jun-08
Revenue	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Marketing	43,121	5,481	83,731	12,074
Manufacturing	12,157	1,061	24,098	2,567
Investment holding	2,906	436	4,336	(408)
Food and beverage outlets	249	(281)	368	(466)
Inter-segment elimination	(11,180)	(127)	(20,636)	(152)
	<u>47,253</u>	<u>6,570</u>	<u>91,897</u>	<u>13,615</u>
Finance costs		(15)		(31)
Interest income		298		531
Taxation		<u>(1,678)</u>		<u>(3,795)</u>
Profit for the period		<u><u>5,175</u></u>		<u><u>10,320</u></u>

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 2007.

A10. Events Subsequent to the End of the Period

Save as disclosed below and in Note B11, there were no material events subsequent to the reporting period up to 27 August 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report),

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Unaudited Financial Results of the Group for the Second Quarter Ended 30 June 2008

which have not been reflected, in the financial statements for the quarter under review.

The repurchased of 200,000 of the Company's issued ordinary shares from the open market at an average purchase price of RM0.275 per share. The repurchased transaction was financed by internally generated funds and the cumulative shares repurchased of 2,268,600 are being held as treasury shares.

A11. Change in Group / Capital Structure

There are no 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 27 August 2008:

- (a) Corporate guarantees of RM30.5 millions for banking facilities granted to its subsidiaries.
- (b) Special damage claim of RM295,000 by a former distributor and sale point operator of a subsidiary company for alleged wrongful termination.

A13. Capital Commitments

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

	Year to-date
	30-Jun-08
	(RM'000)
In respect of capital expenditure approved and contracted for :-	
Purchase of property, plant and equipment	228
Acquisition of service apartment	36
	<u>264</u>

A14. Significant Related Party Transactions

The significant related party transactions for the current year-to-date were summarised as below: -

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	Amount RM'000
Related Parties	
<u>CNI Corporation Sdn Bhd</u>	
Rental revenue received and receivable	(464)
Management fee paid and payable	264
<u>CNI Venture Sdn Bhd</u>	
Rental revenue received and receivable	(58)
Research and development expenditure paid and payable	253
<u>Citra Nusa Insancemerlang Investment Co.</u>	
Patent fee paid and payable	39
<u>PC Marketing Sdn Bhd</u>	
Rental charge paid and payable	42
<u>CNI Enterprise (India) Pvt. Ltd.</u>	
Sales received and receivable	(73)
<u>Leader Regent Inc</u>	
Sales received and receivable	(2,289)
<u>CNI IPHC</u>	
Trademark fee paid and payable	95
<u>CNI Hong Kong Ltd.</u>	
Sales received and receivable	(717)
Purchases paid and payable	48
<u>CNI Food Product Co Ltd</u>	
Purchase paid and payable	266
<u>Yayasan CNI</u>	
Rental revenue received and receivable	(15)
<u>Sepang Goldcoast Sdn Bhd</u>	
Sales received and receivable	(73)
<u>CNI Global Inc</u>	
Sales received and receivable	(169)

Note: Amount in bracket indicated revenue income

These transactions have been entered into in the normal course of business and have been established on commercial terms.

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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 RM47.3 million as compared to RM47.6 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 RM91.9 million for the 6 months period ended 30 June 2008 ("cumulative quarter").

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM6.9 million and RM5.2 million respectively for the reporting quarter, compared to RM7.1 million and RM5.0 million respectively in the preceding year corresponding quarter. Accumulatively, the Group achieved a PBT and PAT of RM14.1 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 RM6.9 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 remains positive of the prospect for the current year even though we have faced with a very competitive market that consistently churns out a number of new market players. We believe that our fundamentals are still strong and we will be able to ride with the tide.

While we strengthen our sales force with in-depth product knowledge and constant training in accordance to our CNI values and ethical sales practices, the Group has had to examine the prospect of growing its distributors' base. A lot of effort and research have gone into exploring the possibility of increasing the number of distributors.

Besides looking out to add new products, we believe in enhancing the existing products by upgrading the technology and improving its quality. Joining forces with other research facilities, we will also look into improving taste, packaging, tools and aids of all the product ranges.

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Expansion of the retail business with additional outlets, plus prospective partnerships and franchising will be part of the Group's strategic plans as we move with the times.

Improving the e-services of the e-commerce business will be a major factor in setting up a new framework and structure to synchronise and support the Group's business.

On the course of building CNI brand and presence locally and regionally, the Group will concentrate on establishing and positioning CNI as one of the bigger MLM players in the industry. Tactical preparation and allotment of the marketing budget will be charted out to ensure the Group's direction and business focus will not be in vain.

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-08	30-Jun-08
	RM'000	RM'000
Current quarter/year provision	1,720	3,821
Transfer to/(from) deferred taxation	(42)	(25)
	<u>1,678</u>	<u>3,795</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 30 June 2008 are as follows:

	Current quarter RM'000	Year-to-date RM'000
Total purchases at cost	0.5	39.2
Total disposal proceeds	1.3	42.7
Total gain on disposal	0.8	3.5

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(b) The details of the investment in quoted shares, excluding subsidiaries and associates, as at 30 June 2008 are set out below:

	RM'000
Total investment at cost	498
Total investment at book value	365
Total investment at market value	365

B8. Status of Corporate Proposals

At the Annual General Meeting of the Company held on 19 June 2008, the shareholders of the Company approved the resolutions pertaining to the following:-

- (a) renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature;
- (b) shareholders' mandate for the Company and its subsidiaries to enter into new recurrent related party transactions of a revenue or trading nature; and
- (c) renewal of authority for the purchase by the Company of its own ordinary shares.

Other than the above, there were no corporate proposals announced but not completed as at 27 August 2008 (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 30/06/08 (RM'000)
Short term borrowing (Secured)	4
Long term borrowing (Secured)	189
	<u>193</u>

10. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 27 August 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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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 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. On 17 June 2008, the Judge has affirmed the decision of the Senior Assistant Registrar and dismissed the Plaintiff's appeal. The matter is now fixed for case management on 3 September 2008.

B12. Dividend Payable

There was no dividend declared for the current financial period.

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

	Current Quarter 30-Jun-08	Curent Year To-date 30-Jun-08
Profit attributable to the equity holders of the Parent (RM'000)	5,175	10,320
Weighted average number of ordinary share ('000)	718,354	718,354
Basic earnings per ordinary share (sen)	<u>0.72</u>	<u>1.44</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: 27 August 2008