

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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**For the Third Quarter Ended 30 September 2008**

	Individual Period		Cumulative Period	
	30-Sep-08 Unaudited RM '000	30-Sep-07 Unaudited RM '000	30-Sep-08 Unaudited RM '000	30-Sep-07 Unaudited RM '000
<b>Continuing Operations</b>				
Revenue	49,006	45,640	140,902	138,924
Operating profit	6,443	7,293	20,058	21,333
Financing costs	(16)	(1)	(46)	(111)
Interest income	249	245	780	640
Share of profit of associate	-	-	-	-
Profit before tax	6,676	7,537	20,792	21,862
Taxation	(1,838)	(1,564)	(5,634)	(5,606)
Profit for the period	4,838	5,973	15,158	16,256
<b>Attributable to :</b>				
Shareholders of the Company	4,838	5,973	15,158	16,256
Minority interests	-	-	-	-
Profit after tax for the period	4,838	5,973	15,158	16,256
Earnings per share(sen)				
Basic	0.67	0.83	2.11	2.26
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 SEPTEMBER 2008

	Unaudited As at 30/9/2008 RM '000	Audited As at 31/12/2007 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	51,861	53,239
Capital work in progress	0	0
Investment properties	9,085	9,935
Intangible assets	2	2
Other intangible assets	25	30
Deferred tax assets	1,951	1,965
	<u>62,924</u>	<u>65,171</u>
<b>Current assets</b>		
Inventories	25,101	22,528
Receivables	6,907	6,070
Other receivables, deposits & prepayment	5,163	4,534
Short term investment	4,308	6,143
Tax assets	2,219	2,124
Cash and bank balances	41,365	31,287
	<u>85,063</u>	<u>72,686</u>
<b>TOTAL ASSETS</b>	<b><u>147,987</u></b>	<b><u>137,857</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders</b>		
Share capital	72,000	72,000
Treasury shares	(950)	(764)
Other reserves	(9)	29
Retained earnings	38,519	29,679
<b>Total equity</b>	<u>109,560</u>	<u>100,944</u>
<b>Non-current liabilities</b>		
Borrowings	184	180
Retirement benefit obligation	13,587	12,678
Deferred tax liabilities	1,605	1,605
	<u>15,376</u>	<u>14,463</u>
<b>Current liabilities</b>		
Trade Payables	4,528	4,398
Other Payables	16,120	16,896
Dividend payable	0	0
Current tax payables	2,071	847
Provision & cont. Liabilities	329	284
Borrowings	3	25
	<u>23,051</u>	<u>22,450</u>
Total liabilities	<u>38,427</u>	<u>36,913</u>
<b>TOTAL EQUITY AND LIABILITES</b>	<b><u>147,987</u></b>	<b><u>137,857</u></b>
Net Assets	109,560	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 Third Quarter Ended 30 September 2008**

	Share Capital RM '000	← Non Distributable → Treasury Share RM '000	Translation Reserve RM '000	Distributable Retained Earnings RM '000	Total Equity 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				20,811	20,811
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>29</b>	<b>29,678</b>	<b>100,943</b>
<b>As at 1 January 2008</b>	<b>72,000</b>	<b>(764)</b>	<b>29</b>	<b>29,678</b>	<b>100,943</b>
Foreign exchange translation difference			(38)		(38)
Net profit for the period				15,217	15,217
Purchase of Treasury Share		(186)			(186)
Interim dividends				(6,376)	(6,376)
<b>As at 30-Sep-08</b>	<b>72,000</b>	<b>(950)</b>	<b>(9)</b>	<b>38,519</b>	<b>109,560</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 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 Third Quarter Ended 30 September 2008**

	Third quarter ended	
	30-Sep-08	30-Sep-07
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	16,140	15,080
Net cash used in investing activities	353	3,657
Net cash used for financing activities	(6,395)	(20,766)
Net increase in cash and cash equivalent	10,098	(2,029)
Effects of foreign exchange rate changes	(19)	(23)
Cash and cash equivalent at beginning of financial period	31,287	16,471
Effects of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalent at end of financial period	41,366	14,419

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

	As at	As at
	30-Sep-08	30-Sep-07
	RM'000	RM'000
Cash and bank balances	6,846	14,721
Cash deposits with licensed banks	34,520	(302)
<b>Cash and cash equivalents</b>	<b>41,366</b>	<b>14,419</b>

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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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2008

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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 205,000 of the Company's issued ordinary shares from the open market at an average purchase price of RM0.28 per share. The total consideration paid was RM56,846.44 including transaction costs and it was financed by interenally generated funds. The shares repurchased were being held as treasury shares in accordance with Section 6A of the Companies Act, 1965.

As at 30 September 2008, the number of treasury share held is 2,273,600 ordinary shares.

### **A7. Dividend Paid**

Please refer to Explanatory Note B12.

### **A8. Segmental Information**

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

	<b>Current Quarter</b>		<b>Year to-date</b>	
	<b>Revenue</b>	<b>Result</b>	<b>Revenue</b>	<b>Result</b>
	<b>30-Sep-08</b>	<b>30-Sep-08</b>	<b>30-Sep-08</b>	<b>30-Sep-08</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Revenue				
Marketing	43,307	4,316	127,038	16,390
Manufacturing	16,279	2,589	40,377	5,156
Investment holding	2,378	73	6,714	(335)
Food and beverage outlets	281	(339)	649	(805)
Inter-segment elimination	(13,240)	(196)	(33,876)	(348)
	<u>49,005</u>	<u>6,443</u>	<u>140,902</u>	<u>20,058</u>
Finance costs		(16)		(46)
Interest income		249		780
Taxation		(1,838)		(5,634)
Profit for the period		<u>4,838</u>		<u>15,158</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.

**CNI Holdings Berhad** (Company No : 181758-A)

Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2008

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**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 25 November 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.

The repurchased of 180,200 of the Company's issued ordinary shares from the open market at an average purchase price of RM0.20 per share. The repurchased transaction was financed by internally generated funds and the cumulative shares repurchased of 2,453,800 are being held as treasury shares.

On 22 October 2008 and 12 November 2008, the Company subscribed 350,000 new ordinary shares of RM1.00 each at par for cash, representing 70% of the issued and paid-up share capital of Lotus Supplies Sdn Bhd.

**A11. Change in Group / Capital Structure**

On 29 September 2008, the Company's wholly-owned subsidiary, Infuso Sdn Bhd ("Infuso") acquired one thousand (1,000) ordinary shares of RM1.00 each, representing 100% issued and paid-up share capital in Regal Effect Sdn Bhd at a total cash consideration of Ringgit Malaysia Sixteen Thousand (RM16,000.00) only.

Other than the above, there were 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 25 November 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.

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**A13. Capital Commitments**

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

	Year to-date 30-Sep-08 (RM'000)
<b>In respect of capital expenditure approved and contracted for:-</b>	
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: -

<b>Related Parties</b>	<b>Amount RM'000</b>
<b><u>CNI Corporation Sdn Bhd</u></b>	
Rental revenue received and receivable	(662)
Management fee paid and payable	399
<b><u>CNI Venture Sdn Bhd</u></b>	
Rental revenue received and receivable	(87)
Research and development expenditure paid and payable	424
<b><u>Citra Nusa Insancemerlang Investment Co.</u></b>	
Patent fee paid and payable	59
<b><u>PC Marketing Sdn Bhd</u></b>	
Rental charge paid and payable	63
<b><u>CNI Enterprise (India) Pvt. Ltd.</u></b>	
Sales received and receivable	(102)
<b><u>Leader Regent Inc</u></b>	
Sales received and receivable	(4,511)
<b><u>CNI IPHC</u></b>	
Trademark fee paid and payable	144



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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2008

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**CNI Hong Kong Ltd.**

Sales received and receivable	(970)
Purchases paid and payable	79

**CNI (China) Co Ltd (formerly known as  
Qingdao CNI Food Products Co Ltd)**

Purchase paid and payable	407
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**Yayasan CNI**

Rental revenue received and receivable	(22)
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**Sepang Goldcoast Sdn Bhd**

Sales received and receivable	(111)
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**CNI Global Inc**

Sales received and receivable	(304)
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*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.

**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 RM49 million as compared to RM45.6 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 RM140.9 million for the 9 months period ended 30 September 2008 ("cumulative quarter").

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM6.7 million and RM4.8 million respectively for the reporting quarter, compared to RM7.5 million and RM6 million respectively in the preceding year corresponding quarter. Accumulatively, the Group achieved a PBT and PAT of RM20.8 million and RM15.2 million respectively for the cumulative quarters.

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Unaudited Financial Results of the Group for the Third Quarter Ended 30 September 2008

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**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 RM6.7 million, compared to RM6.9 millions in the immediate preceding quarter. The PBT was lower compared to preceding quarter mainly due to increase in costs of sales, 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.

Expansion of the retail business with additional outlets, plus prospective partnerships and licensing 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.

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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 30-Sep-08 RM'000</b>	<b>Year to-date 30-Sep-08 RM'000</b>
Current quarter/year provision	1,799	5,620
Transfer to/(from) deferred taxation	39	14
	<u>1,838</u>	<u>5,634</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 September 2008 are as follows:

	Current quarter RM'000	Year-to-date RM'000
Total purchases at cost	256	295
Total disposal proceeds	177	220
Total loss on disposal	(78)	(75)

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

	RM'000
Total investment at cost	290
Total investment at book value	171
Total investment at market value	171

**B8. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at 25 November 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 30-Sep-08 (RM'000)</b>
Short term borrowing (Secured)	3
Long term borrowing(Secured)	184
	<hr/> 187 <hr/>

**B10. Off Balance Sheet Financial Instruments**

There were no material financial instruments with off balance sheet risk as at 25 November 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. The Plaintiff filed an appeal against the Senior Assistant Registrar's decision which appeal was dismissed by the Learned Judge on 17 June

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2008. The fair order granted by the Learned Judge has been served on the Plaintiff's Solicitors on 19 November 2008. The matter is now fixed for case management on 18 February 2009.

With the striking out of the frivolous portion of the Plaintiff's Statement of Claim and the claim for special damages of RM16,238,812.32 pleaded in the Statement of Claim ordered by the Court to be amended to RM295,000.00 and in the absence of further development, the said suit would no longer be considered as a material litigation.

**B12. Dividend Payable**

There was no dividend declared for the current financial period.

**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 30-Sep-08</b>	<b>Current Year To-date 30-Sep-08</b>
Profit attributable to the equity holders of the Parent (RM'000)	4,838	15,158
Weighted average number of ordinary share ('000)	718,271	718,271
<b>Basic earnings per ordinary share (sen)</b>	<b>0.67</b>	<b>2.11</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: 25 November 2008