



ANNUAL REPORT 2006



CNI HOLDINGS BERHAD
(181758-A)



CNI HOLDINGS BERHAD (181758-A)
Wisma CNI, No. 2, Jalan U1/17
Seksyen U1, Hicom-Glenmarie Industrial Park
40000 Shah Alam, Selangor Darul Ehsan
Tel : 03-5569 4000 Fax : 03-5569 1079/1080
Email : info@cniholdings.com.my
www.cniholdings.com.my



“People to People” is the theme that personifies our annual report this year. A theme that aptly showcases the power of the human spirit through the ambitions and achievements of CNI’s global continuum.

We used images of our people to symbolise strength, potential and opportunities - the foundation of which CNI’s business is built upon, and the very qualities that will elevate us to the pinnacle of success.

CNI is a company of heart, where people matters most...where people makes the difference.



Our Vision

We aspire to be the most dynamic, innovative and caring network marketing company in the country.

Our Mission

We are committed to provide quality products and services, and help enrich the life and welfare of every CNI member.

Our Philosophy

We are more than just a business. We strongly believe that every individual has the opportunity to attain a better quality of life and health through CNI.

Contents



Awards and Recognitions	03	Statement of Directors' Responsibility	38
Financial Highlights	04	Financial Statements	39
Corporate Profile	05	List of Properties	109
Corporate Calendar	06	Additional Compliance Information	111
Chairman's Statement	10	Disclosure of Recurrent Related Party Transactions	112
Group Structure	16	Analysis of Shareholdings	114
Corporate Information	17	Notice of Annual General Meeting	117
Board of Directors	18	Statement Accompanying Notice of AGM	120
Statement on Corporate Governance	24	Distribution Centres & Sales Points	121
Board and Management Committees	29	Proxy Form	125
Statement on Internal Control	30		
Audit Committee Report	33		
Statement of Corporate Social Responsibility	37		



Malaysian Business Ethics Excellence Award

23 May 2006 : CNI was awarded the Certificate of Recognition for working on the Development of Ethical Business Practices. The Awards event was organised by Business Ethics Institute of Malaysia (BEIM) and Ministry of Domestic Trade and Consumer Affairs.



Kembara Merdeka Jalur Gemilang 2006

17-31 August 2006 : CNI was awarded the Certificate of Participation in "Kembara Merdeka Jalur Gemilang 2006", a cross country project to promote unity and the spirit of Merdeka among Malaysians.

AWARDS & RECOGNITIONS

Ernst & Young Entrepreneur of the Year Award

18 December 2006: CNI Group Executive Chairman and CEO, Dato' Koh Peng Chor, was named as one of the Top Nominees for the prestigious 2006 Ernst & Young Entrepreneur Of The Year award under the "Master Entrepreneur Of The Year" category.



YEAR ENDED 31 DECEMBER	GROUP	
	2006	2005
Performance (RM'000)		
Revenue	204,006	234,223
Profit Before Taxation	34,969	42,042
Attributable Profit	25,359	30,245
Key Balance Sheet Data (RM'000)		
Share Capital	72,000	60,000
Shareholders' Equity	93,467	82,853
Total Assets	144,708	126,056
Borrowings	684	5,870
Financial Ratios		
Net Earnings Per Share ("EPS") (sen) *	3.52	4.20
Net Dividend Per Share (sen)	2.18	1.80
Net Assets Per Share (sen)	12.99	11.51
Gearing Ratio (%)	0.7%	

* EPS was calculated based on the weighted average number of ordinary share in issue of 719,782,339 and 720,000,000 for the financial years 2006 and 2005 respectively.

CELEBRATING 17 SUCCESSFUL YEARS IN BUSINESS

As a homegrown company, CNI Holdings Berhad has grown rapidly over the years to emerge as one of the largest multilevel marketing companies in the country today.

CNI is principally an investment holding company and provides management services to its subsidiary companies.

CNI Holdings Berhad	Investment holding and the provision of management services
CNI Enterprise (M) Sdn Bhd ("CNIE")	Multilevel marketing of health care and consumer products
Exclusive Mark (M) Sdn Bhd ("Exclusive Mark")	Manufacturing, trading and packaging of all kinds of foodstuffs and beverages
Q-Pack (M) Sdn Bhd ("Q-Pack")	Manufacturing, trading and packaging of household and personal care products
Creative Network International (S) Pte Ltd (Subsidiary of CNIE)	Multilevel marketing of health care and consumer products in Singapore
Key Elite Sdn Bhd	Business of e-commerce in all kinds of commercial trading

PRODUCT VARIETY AND INNOVATION

Over 200 products are offered across 5 distinct product lines such as nutritional and health, personal care and cosmetics, food and beverages, household and auto care, and other exclusive consumer items.

Unlike most direct selling companies, about 70% of CNI's products are manufactured through its wholly-owned and accredited manufacturing plants under the CNI brand name.

One of its best-selling products is the CNI Tongkat Ali Ginseng Coffee, a unique beverage first introduced by CNI to the market in 1993, following the success of its earlier launch of ginseng coffee "CNI Café". Since then, CNI has firmly sealed its mark as a trendsetter with other coffee producers emulating its successful coffee products.

TRACING THE YESTERYEARS

The path of CNI's success can be traced to its humble beginnings in 1989 when three aspiring Malaysian entrepreneurs - Dato' Koh Peng Chor, Mr Tan Sia Swee and Mr Law Yang Ket, teamed up to build a network marketing business.

From a small business operating from a 2-storey shop lot, the founding members toiled away to build CNI to what it is today.

The company was incorporated as a private limited company on 3 May 1989 under the name Homca Chemical Sdn Bhd. On 29 January 1991, the company changed its name to Forever Young Holdings Sdn Bhd. As part of a corporate restructuring exercise, it subsequently changed its name to CNI Holdings Sdn Bhd on 4 September 2002 before assuming its present name on 24 February 2004. On 4 August 2005, the company was listed on the Main Board of Bursa Malaysia Securities Berhad.

MOVING AHEAD WITH TIME

In line with its vision to be the most dynamic and innovative network marketing business in the country, the CNI Group has progressively moved into the new millennium by chalking up numerous trade and industrial awards along the way.

Armed with ISO 9001:2000 certification and the Enterprise Resource Planning (ERP) system to enhance its operations and business processes, CNI continues to lunge forward in its quest for excellence. CNI is also supported by its two award winning plants, Exclusive Mark and Q-Pack which are accredited with the international standards of Good Manufacturing Practice (GMP) and ISO 9001:2000 certification, making them among the finest manufacturing setups in Malaysia.

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CNI Group prides itself as more than a business and strongly believes in giving back to the community in which it operates, whether economically, socially or environmentally.

Over the years, CNI has relentlessly supported various local and international aid projects and community programmes in the areas of education, cultural exchange, national awareness, health and charities, among others. As a caring company, CNI is focused on reaching out to every community in need, regardless of race, creed, colour, religion or country.

CNI is also committed to preserving the environment and this is done through its internal Environmental Management System (EMS) that underscores the 3R's – Reduce, Reuse and Recycle.

29/6/06
ERP & Warehouse
Outsourcing Implementation

RM3.5 million was invested in Enterprise Resource Planning (ERP) and Warehouse Outsourcing to streamline operations and stimulate growth in the business. It provides real-time information on daily business operations among companies in the CNI Group.



4-6/7/06
ISO 14001 & OHSAS

EM and Q-Pack initiated the Environmental Management System (ISO 14001:2004) and the Occupational, Health and Safety Management System (OHSAS 1800:1999).

25/6/06
Dynamic Progress of Tamil Market

Rapid development in sales and membership is proof of the Tamil-speaking market's vast potential. CNI has produced its first Indian Million Diamond Agency Manager (premier achiever) cum House Fund Achiever. More and more entrepreneurs from this market segment are achieving higher ranks and winning the Car Incentive Fund.



19/8/06
"I Can Fly" Towards
Excellence

This was the theme for CNI's 17th Anniversary. One of the highlights was the recognition of 8 new Million Diamond Agency Managers produced in 2006 - setting a new record and benchmark that CNI offers the best platform to make dreams come true.





11/9/06
Society-Caring Project

100 units of CNI WaterLife System worth RM170,000 was donated to various charity organisations in the Peninsula and East Malaysia as part of the company's corporate responsibility to help the society enjoy a better and healthier life.



19/10/06
DeepaRaya Cheer for Kids' Homes

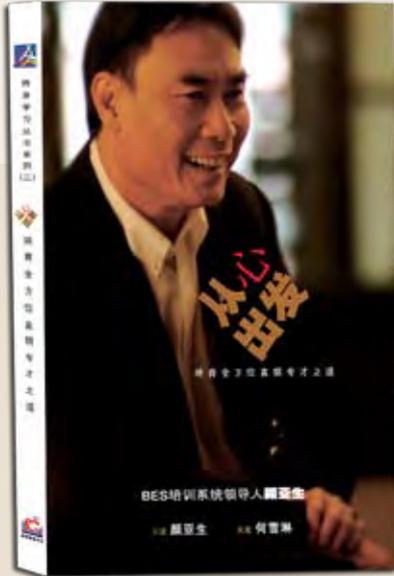
A DeepaRaya feast was hosted for 126 orphans from 2 charity organisations. Yearly community events is CNI's social responsibility towards the society.



21/10/06
Dreams Come True
Motivational Convention

This Convention was held for the 1st time in East Malaysia (Kuching, Sarawak). CNI received 17 years of continuous support and commitment from distributors in developing the East Malaysia market that is now progressing positively.





10/12/06
"From The Heart" Book
by Gan Ah Seng

Published the 3rd book of the Lifelong Learning Series, where BES Director, Mr Gan Ah Seng, shared his wealth of experience and wisdom on human development. This book is aimed at strengthening the distributors' mind and guide them to building a successful CNI business based on the company's Business Education System (BES).



11/11/06
Family Day

CNI Sports & Recreation Club organised a Family Day at Desa Water Park to strengthen the relationship and rapport among staff and also family members.



16/12/06
Elite Convention

Over 1,000 distributors were promoted to Elite status for successfully achieving excellent sales records.



Feb-Nov 2006
Carnival Series

Organised a chain of successful carnival series throughout 2006, starting from CNI's Chinese New Year open house, followed by 'Karnival CNI Pasti Best', 'Karnival Kerjaya Wanita' (Women's Career Carnival), 'Jom Raya sambil beramal bersama CNI' and 'Pesta DeepaBOS'. The women's career carnival is the kick-off for special programmes aimed at building a stronger network in the coming year. These series of carnivals helped create awareness and excitement among new distributors and prospects, and jogged inert distributors into activity. All these carnivals received wide media coverage and attracted about 10,000 revellers.



Jan-Dec 2006
Product Launch

A variety of new premium products were introduced into the CNI selection including CNI WaterLife, CNI PerfectChef, CNI Omega 3, CNI Ester-C Plus and CNI Café Lite. The additional products translate into wider, healthier and better choices for consumers, and higher income, opportunities and privileges for the distributors.







DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I have great pleasure in presenting the Annual Report and Audited Financial Statements of CNI Holdings Berhad ("CNI") for the financial year ended 31 December 2006.

During the year under review, we faced a challenging economic environment mainly due to the increase in world oil prices and interest rates, a slowdown in consumer spending as well as the growing competitiveness within the consumer industry. Against the backdrop of such challenges, CNI has remained resilient and continued to maintain its position as one of the top direct selling companies in Malaysia.





FINANCIAL PERFORMANCE

In year 2006, the Group recorded consolidated turnover of RM204 million compared to RM234 million in the previous year. Profit before tax in year 2006 was RM35 million compared to RM42 million in year 2005. The decline in turnover was mainly due to the drop in sales of coffee-based products resulting from counter actions taken by the company to reduce the impact of undercutting sales. The actions taken have shown positive results and helped to regain distributors' confidence in promoting healthy sales practice among themselves. In the same year, the Group also experienced intense competition in coffee-based products within the market.

DIVIDEND

In respect of the financial year under review, the Board has declared a total gross interim dividend of 3 sen per share which amounted to a total payout of RM15.7 million net of tax. The Group has a paid-out gross dividend of 4 sen per share in respect of the financial year ended 31 December 2005 that amounted to RM17.28 million net of tax.



CORPORATE DEVELOPMENT

On 11 July 2006, the Company completed the bonus issue involving the allotment and issuance of 120,000,000 new ordinary shares of RM0.10 each on the basis of 1 new ordinary share for every 5 existing ordinary shares by way of capitalising a total of RM12 million from the Company's retained profits.

OPERATIONAL REVIEW

Multilevel Marketing

The food and beverage product category continued to be the major driver of sales that generated approximately 36% of the Group's revenue. Within this category, the CNI Tongkat Ali Ginseng Coffee and the CNI Café were the most popular in demand.

In year 2006, 37 new and upgraded products were launched, which included CNI WaterLife Treatment System, CNI Omega-3, CNI Ester-C plus, CNI Ener Fruit extract, CNI EnerGold juice, CNI SC 88 household series, CNI Café Lite, CNI Perfect Chef and festive products. The introduction of CNI WaterLife Treatment System in January 2006 was a success with actual sales doubling our forecast.

The company has expanded its number of distribution centres of 66 outlets, which now comprise 4 new distribution centres and 2 service centres to provide better accessibility and service to its distributors.

During the year under review, we had fully implemented our Business Education System ("BES"), an integrated new training system emphasising a simple, standardised, easy, duplicable and comprehensive approach to building a quality network and becoming a successful independent distributor. This is also aimed at standardising our business and training programmes for distributors to ensure that they conform to the company's accepted business standards, training objectives and code of ethics.

Every year, achievers are rewarded and recognised for progressing to another level. For year 2006, there were eight (8) new Million Diamond Agency Managers being promoted and twenty (20) new Car Fund Achievers being installed among the jewels of the distributor force. These achievements clearly indicate that CNI provides the best platform for its distributors to realise their dreams and potential. As a reflection of the distributors' commitment and enthusiasm for the wealth of business

opportunities offered at CNI, approximately 10,000 distributors attended the 17th Anniversary Convention held during the year to listen and learn from the selected distributor leaders who have achieved great success in their CNI business.

We have also cultivated our human capital with relevant skills development by providing continuous learning and development programmes throughout the year. The actualisation of the Enterprise Resource Planning System has enabled us to access inter-group information in real-time and to improve efficiency within the entire operational framework.

Manufacturing

In year 2006, we have achieved higher revenue and pre-tax profits for the manufacturing of personal care and household products mainly due to the increase in productivity and optimisation of our existing facilities in achieving economies of scale. The actualisation of the Enterprise Resource Planning System has enabled the factory to plan the material usage accurately with low holding costs and to schedule the production operations effectively with costs optimisation.





During the year, the factory also initiated the Environmental, Health and Safety System (EHS), Environmental Management System (EMS) and Occupational Health and Safety Management System (OHSAS). These systems are incorporated as an integral part of the existing operations and decision making to provide a safe and healthy work environment for our workers.

The Group is mindful of the impact its operations may have on the society. The Group's key corporate social responsibilities continue to be in the areas of staff welfare, environment, education, community and nation building. CNI Group will continue to identify activities where our support can make a real difference. We have included our CSR initiatives on page 37 of this Annual Report to reinforce our Group's corporate culture as a caring and responsible corporate citizen.

PROSPECTS

The Malaysian economy has been forecasted by Bank Negara Malaysia to grow by 6% in 2007 with the roll-

out of the Ninth Malaysia Plan, Visit Malaysia Year 2007, the country's 50th Anniversary celebrations, as well as forex liberating economic measures announced by the Government in late March 2007. These are expected to improve economic activities and consumer confidence further.

The local direct selling industry recorded a steady growth with more than 600 players in the industry today. This is indeed very promising to the direct selling industry as it has been forecasted to expand by 5% annually within the next 5 years. Presently, the market size of the direct selling industry is estimated at over RM6.6 billion.

The prospects remain good for the coming year as the Group continues with its marketing strategies to introduce new, unique, quality and upgraded wellness products. The Group will also be focusing on products segmentation and selling strategy while conducting regular and feasible promotions and campaigns. This will help boost the retailing and sponsoring activities of the company's selected focus group, and also help tap the vast potential of the women market segment.





In view of the availability and capacity of our state-of-the-art facilities, we will be expanding our contract manufacturing business on premium products for local and overseas markets. This will enhance the plant optimisation and in turn will help us achieve maximum cost optimisation.

We have also embarked on a strategic brand-building exercise to further strengthen our competitive edge in the Food and Beverage business, namely for our 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 our image as a progressive and innovative company, we will be rolling out our e-commerce platform and strategies to our distributors this year. This e-commerce platform is expected to enhance our overall service and efficiency level, whilst at the same time, provide more opportunities for our business partners to earn a higher income. We are confident that this new-age platform will enable us tap or penetrate into new markets with promising potentials.

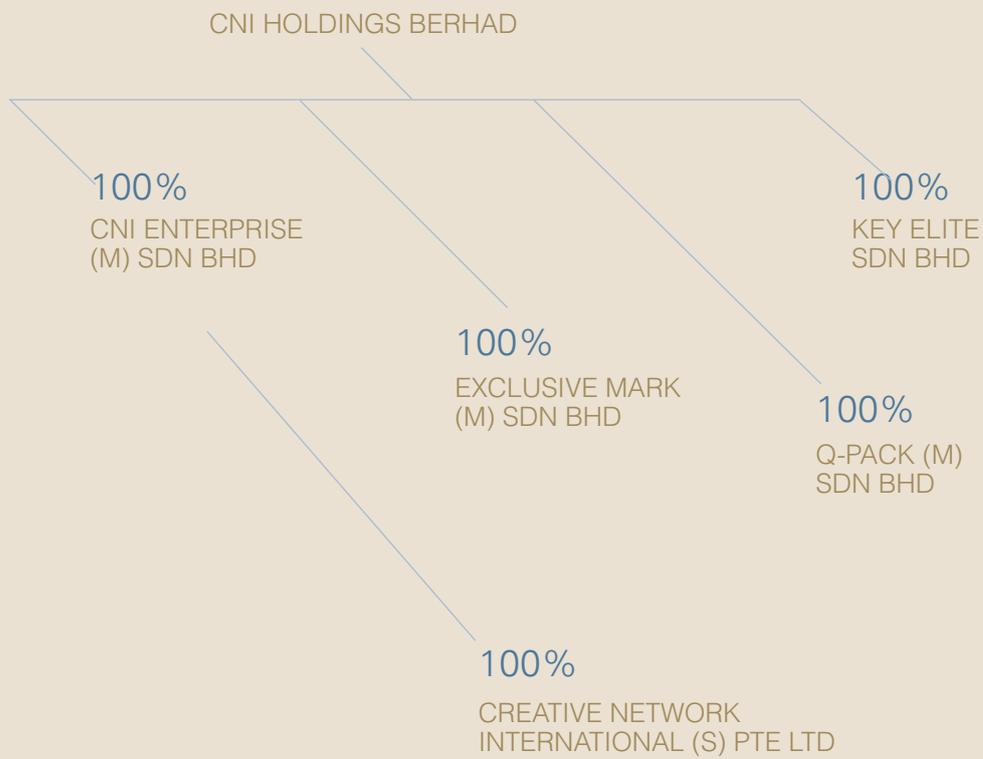
ACKNOWLEDGEMENT

I would like to express my appreciation to the management, employees and distributors for their dedication and commitment in their duties. For our customers, business associates, bankers, suppliers and shareholders, I would like to thank them for their good support and confidence in the Group.

I would also like to thank my fellow colleagues on the Board for their active participation and guidance provided in the previous year, and look forward to their continuing support and contribution in the future.

Dato' Koh Peng Chor

Group Executive Chairman and Chief Executive Officer
16 May 2007



BOARD OF DIRECTORS

Dato' Koh Peng Chor
(Group Executive Chairman and CEO)

Tan Sia Swee
(Executive Director)

Chew Boon Swee
(Executive Director)

Cheong Chin Tai
(Executive Director)

Law Yang Ket
(Executive Director)

Thiang Kai Goh
(Independent Non-Executive Director)

Aggie Chew Poh Lian
(Independent Non-Executive Director)

Zulkifli Bin Mohamad Razali
(Independent Non-Executive Director)

AUDIT COMMITTEE

Thiang Kai Goh (Chairman)
Dato' Koh Peng Chor
Zulkifli Bin Mohamad Razali

NOMINATION COMMITTEE

Zulkifli Bin Mohamad Razali (Chairman)
Thiang Kai Goh
Aggie Chew Poh Lian

REMUNERATION COMMITTEE

Dato' Koh Peng Chor (Chairman)
Chew Boon Swee
Thiang Kai Goh
Aggie Chew Poh Lian
Zulkifli Bin Mohamad Razali

COMPANY SECRETARIES

Lim Ming Toong (MAICSA 7000281)
Chin Yoke Kwai (MAICSA 7032000)

AUDITORS

Messrs Moore Stephens
Chartered Accountants
No. 8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Wisma CNI, 2 Jalan U1/17, Seksyen U1
Hicom-Glenmarie Industrial Park
40000 Shah Alam
Selangor Darul Ehsan
Tel : 03-5569 4000
Fax : 03-5569 1079, 5569 1080
E-mail: info@cniholdings.com.my
Website: www.cniholdings.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi-Purpose Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222
Fax : 03-2721 2530, 2721 2531
E-mail: mc.yong@symphony.com.my

PRINCIPAL BANKERS

Malayan Banking Berhad (Shah Alam Branch)
Alliance Bank Malaysia Berhad

SOLICITORS

Ong & Kok

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
(Listed since 4 August 2005)





**DATO' KOH PENG CHOR**

Group Executive Chairman and
Chief Executive Officer

Dato' Koh Peng Chor, a Malaysian, aged 55, was appointed to the Board of CNI Holdings Berhad ("CNI") on 11 December 1990. He also serves as the Chairman of Executive Management Committee, Remuneration Committee and Employee Equity Scheme Committee and member of the Audit Committee.

He received the Honorary Doctorate in Philosophy in Multilevel Marketing by Summit University, USA in 1999 and has been a Fellow Member of the Institute of Marketing, Malaysia since 1997. As the main founder, he has been instrumental in the development and growth of the Company. His current responsibilities include overall management and development of the strategic direction of the Group.

Dato' Koh Peng Chor is a major shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Dato' Koh Peng Chor attended all the six Board meetings which were held during the financial year ended 31 December 2006.

**TAN SIA SWEE**

Executive Director

Tan Sia Swee, a Malaysian, aged 47, was appointed to the Board of CNI on 11 December 1990. He also serves as a member of the Executive Management Committee and Employee Equity Scheme Committee.

He graduated with a Diploma in Malay Studies from Southern College of Johor Bahru in 1982. He started his career in 1983 as an Executive Secretary at the Federation of Selangor Guilds & Association in Kuala Lumpur where he was responsible for its secretarial matters. He left the association in 1985 and subsequently joined Win Win (M) Sdn Bhd as a distributor. He later left Win Win (M) Sdn Bhd and co-founded CNI. His current responsibilities include overseeing the Group's corporate communications.

Tan Sia Swee is a shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Tan Sia Swee attended all the six Board meetings which were held during the financial year ended 31 December 2006.



LAW YANG KET
Executive Director

Law Yang Ket, a Malaysian, aged 47, was appointed to the Board of CNI on 18 September 2003. He also serves as a member of the Executive Management Committee and Employee Equity Scheme Committee.

He graduated with a Bachelor of Education from the National Taiwan Normal University in Taipei in 1983. In 1985, he joined the Malaysian Chinese Association, MCA Youth Johor branch as Executive Secretary. Subsequently in 1987, he took up the position of Consultant at Dynamic Leadership Development Consultancy. He co-founded CNI and currently overseeing trade purchasing and supplier relationships. He also act a key advisor on distributor management, sales development and marketing matters, among others.

Law Yang Ket is a shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Law Yang Ket attended all the six Board meetings which were held during the financial year ended 31 December 2006.



CHEONG CHIN TAI
Executive Director

Cheong Chin Tai, a Malaysian, aged 45, was appointed to the Board of CNI on 18 September 2003. He also serves as the Chairman of Risk Management Committee and member of the Executive Management Committee and Employee Equity Scheme Committee. He is also a board member of the Direct Selling Association of Malaysia (DSAM).

He graduated with a Bachelor of Science from the University of Manitoba, Canada in 1987. In 2001, he obtained his Masters of Business Administration from the University of Illinois, USA. He is a member of the Malaysian Institute of Management since 2001. He started his career in 1988 as a Marketing Executive at Direct Circle Corporation. He left in 1990 to join Aetna Insurance Bhd, as a Branch Officer and later left to join Luxome Marketing Sdn Bhd as Executive Director in 1992. Subsequently, in 1993, he was offered the position of Executive Director of CNI Hong Kong Ltd. He returned from Hong Kong and took on the position of Operations Director in 2001 before assuming his current position as CEO of CNI Enterprise (M) Sdn Bhd in 2005.

Cheong Chin Tai is a shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Cheong Chin Tai attended four out of the six Board meetings which were held during the financial year ended 31 December 2006.



CHEW BOON SWEE
Executive Director

Chew Boon Swee, a Malaysian, aged 47, was appointed to the Board of CNI on 18 September 2003. He also serves as a member of the Executive Management Committee, Remuneration Committee and Employee Equity Scheme Committee.

He graduated with a Bachelor of Science from the National Taiwan Chung Hsing University in 1983. He is a professional member of the Malaysia Institute of Food Technologist and an international member of the Institute of Food Technologist. In 1984, he joined Empire Food Industries Sdn Bhd as a Production Executive. He left to join Fortune Lab (M) Sdn Bhd as Production, Research & Development Executive. He left Fortune Lab (M) Sdn Bhd to assume the position of Executive Director of Exclusive Mark (M) Sdn. Bhd. ("EM") in 1991 and Q-Pack (M) Sdn. Bhd. ("Q-Pack") in 1994. He is credited for setting up the ISO, HACCP and GMP accreditations for the manufacturing operations at EM and Q-Pack. His current responsibilities include overall management for both manufacturing operations.

Chew Boon Swee is a shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Chew Boon Swee attended all the six Board meetings which were held during the financial year ended 31 December 2006.



ZULKIFLI BIN MOHAMAD RAZALI
Independent Non-Executive Director

Zulkifli Bin Mohamad Razali, a Malaysian, aged 47, was appointed to the Board of Directors of CNI on 3 May 2005. He also serves as the Chairman of Nomination Committee and member of the Audit Committee and Remuneration Committee.

He graduated with a Bachelor of Arts in Accountancy Studies from Huddersfield University, United Kingdom in 1983. He obtained his post-graduate Diploma in Management Studies from Warwick University and Master of Science in International Economics & Banking from University of Wales, both in the United Kingdom in 1985 and 1988 respectively. In 1988, he joined Commerce International Merchant Bankers ("CIMB"), Corporate Advisory Department, which handles corporate exercises for listed and non-listed local and multinational companies. Upon leaving CIMB in 1993, he was appointed as Managing Director of Marzin Transport Sdn Bhd. In 1997, he left Marzin Transport Sdn Bhd to assume the position of Managing Director of Marzin Sdn Bhd, a family owned investment holding company. He was formerly a director of PNL Travel Sdn Bhd from 1998 to 2005.

Zulkifli Bin Mohamad Razali is not a shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Zulkifli Bin Mohamad Razali attended all the six Board meetings which were held during the financial year ended 31 December 2006.



THIANG KAI GOH

Independent Non-Executive Director

Thiang Kai Goh, a Malaysian, aged 58, was appointed to the Board of CNI on 3 May 2005. He also serves as the Chairman of Audit Committee and member of the Remuneration Committee and Nomination Committee.

He is a Fellow Member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Taxation. He is a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He is the Senior Partner of Thiang & Company, Chartered Accountants. He has other business interest and holds directorship in some private limited companies, including a listed company in Australia.

Thiang Kai Goh is not a shareholder of the Company. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has had no convictions for any offences within the past 10 years.

Thiang Kai Goh attended all the six Board meetings which were held during the financial year ended 31 December 2006.



AGGIE CHEW POH LIAN

Independent Non-Executive Director

Aggie Chew Poh Lian, a Malaysian, aged 41. She was appointed to the Board of CNI on 3 May 2005. She also serves as a member of the Remuneration Committee and Nomination Committee.

She graduated with a Bachelor of Law from the Australian National University in Canberra, Australia in 1988. She was admitted to the Malaysian bar in November 1989 and was retained as a legal assistant in Messrs Cheang & Ariff until March 1994. She then worked with the Securities Commission as a Senior Executive Officer in the Take-overs and Mergers Department. She returned to legal practice with Messrs Cheang & Ariff in 1996 and subsequently joined the partnership of Messrs Kamarudin & Partners. In 1998, she joined the Malaysian Exchange of Securities Dealings and Automated Quotations Berhad ("MESDAQ") as a Senior Vice President within the Listing Department. She left MESDAQ in November 2000 and has since ceased working full-time.

Aggie Chew Poh Lian is not a shareholder of the Company. She does not have any family relationship with any Director and/or major shareholder of the Company, nor does she have any conflict of interest with the Company. She has had no convictions for any offences within the past 10 years.

Aggie Chew Poh Lian attended five out of the six Board meetings which were held during the financial year ended 31 December 2006.

INTRODUCTION

The Board of Directors ("Board") of CNI Holdings Berhad recognises the importance and commits to the Principles and Best Practices of the Malaysian Code on Corporate Governance ("Code") pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is committed in ensuring that a high standard of corporate governance is adopted and practised throughout the Group in protecting and enhancing shareholders' value and in improving the Group's financial performance.

This statement describes how the Group has applied the principles set out in the Code and its compliance with the best practices of the Code for the year ended 31 December 2006.

THE BOARD OF DIRECTORS

Roles and Principal Duties

The Board takes full responsibility for the overall performance of the Company and of the Group. The Board establishes the vision and strategic objectives of the Group, directing policies, strategic action plans and stewardship of the Group's resources towards achieving the Group's annual budgets as well as ensuring a continuous and sustainable growth for the interests of all its stakeholders, that is the Group's shareholders, investors, customers, business associates and the general public. It focuses on strategies, financial performance, critical and material business issues and specific areas such as principal risks and their management, internal controls, succession planning for senior management, investor relations programme and shareholders' communication policy.

The executive directors take on primary responsibility for managing the Group's business and resources. Their intimate knowledge of the business and their "hands-on" management practices has led the Group to establish its current position in the market.

The independent non-executive directors are actively involved in a number of Board committees and contribute significantly to areas such as enhancing corporate governance and controls. They represent an objective voice in the Board, and an effective check and balance in all matters delegated to the Board and provide independent assessments and opinions on proposals mooted by the executive directors.

The Board consists of members who provide an effective blend of entrepreneurship, business and professional expertise in multilevel marketing, manufacturing, accounting, financial, law and technical areas the Group is involved in.

Board Composition and Balance

The Board comprises eight (8) members, of whom five (5) are executive directors and three (3) are independent non-executive directors. The Board's composition complies with the Listing Requirements of Bursa Securities namely that a minimum of 2 or 1/3 of the Board should comprise independent directors.

A brief profile of each Director is presented on pages 20 to 23 of the Annual Report.

In his capacity as Executive Chairman and Chief Executive Officer (CEO), Dato' Koh Peng Chor acts as both the Group Executive Chairman and Chief Executive Officer of the Board. The Board is mindful of the convergence of the two roles, but is comfortable that there is no undue risk involved as all related party transactions are strictly dealt with in accordance with the Listing Requirements of Bursa Securities and with independent consultants to advise other Board members and shareholders.

The Board also has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notations, as the case may be. Besides, there is balance in the Board with the presence of independent directors who demonstrate objectivity and independence of judgment.

Board Meetings

Board meetings are scheduled at the beginning of each year and the Board usually meets at least four (4) times a year. During the financial year, the Board held a total of six (6) meetings.

Director	Attendance
Dato' Koh Peng Chor Group Executive Chairman and CEO	6/6
Tan Sia Swee Executive Director	6/6
Law Yang Ket Executive Director	6/6
Cheong Chin Tai Executive Director	4/6
Chew Boon Swee Executive Director	6/6
Zulkifli Bin Mohamad Razali Independent Non-Executive Director	6/6
Thiang Kai Goh Independent Non-Executive Director	6/6
Aggie Chew Poh Lian Independent Non-Executive Director	5/6

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs to enable them to discharge their duties. All Directors are provided with the agenda together with the Board papers in advance of Board Meetings to enable them to consider and deliberate on issues and matters arising.

Management is responsible for providing the Board with all the relevant information to facilitate an informed decision-making process. All Directors have the right and duty to make further enquiries where they consider necessary. In most instances, senior management of the Company is invited to be in attendance at Board meetings to provide insight and to provide clarification on issues that may be raised by the Board.

In addition, there is a schedule of matters reserved specifically for the Board's decision which includes the approval of corporate plans and budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations and board appointments. All Directors have access to the advice and services of the Company Secretary and Senior Management and may seek independent professional advice, at the Company's expense, should the need arise.

Appointment and Re-Election to the Board

Appointments to the Board are made based on the recommendation of the Nomination Committee. The Nomination Committee of the Company comprises exclusively of Non-Executive Directors. In making these recommendations, the Nomination Committee considers a required mix of skills and experience which each Director brings to the Board. Any new nomination received is put to the full Board for assessment and endorsement. No nominations were received during the year.

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors shall retire from office at least once every three years. Such Directors however, shall be eligible for re-election.

Directors standing for re-election at the Annual General Meeting of the Company to be held on 21 June 2007 are detailed in the Notice of Eighteenth Annual General Meeting.

Continuing Board Development

All the Directors have attended the Mandatory Accreditation Programme ("MAP") as recommended by the Bursa Securities. The Directors have attended various accredited programmes under the Continuing Education Programme ("CEP") conducted by various professional bodies. All Directors will continue to attend the relevant training programmes to keep abreast with developments on a continuous basis in

compliance with paragraph 15.09 of the Listing Requirements of Bursa Securities.

The Company's Secretary circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Directors' reference and briefs the Board members on these updates.

BOARD AND MANAGEMENT COMMITTEES

The Board of Directors delegates certain responsibilities to Board Committees namely Audit Committee, Remuneration Committee, Nomination Committee, Executive Management Committee, Risk Management Committee and Employee Equity Scheme Committee. The committees have written terms of reference and operating procedures and the Board of Directors receives minutes of their proceedings and deliberations. The Board Committees in CNI Holdings Berhad are as follows:

1. Audit Committee

The terms of reference and further information on the Audit Committee are outlined in pages 33 to 36 of this Annual Report.

2. Remuneration Committee

The Remuneration Committee was established by the Board on 17 July 2005. The Remuneration Committee is responsible for drawing up the remuneration policy framework and to make recommendations to the Board on the remuneration packages of the Directors.

The Remuneration Committee comprises majority of Non-Executive Directors as follows:

Dato' Koh Peng Chor

Chairman, Group Executive Chairman
and Chief Executive Officer

Chew Boon Swee

Member, Executive Director

Zulkifli Bin Mohamad Razali

Member, Independent Non-Executive Director

Thiang Kai Goh

Member, Independent Non-Executive Director

Aggie Chew Poh Lian

Member, Independent Non-Executive Director

The objectives of the Remuneration Committee are to ensure that the remuneration policies of the Company are competitive; thereby enabling the Company to attract and retain high calibre executives at the same time protecting the interests of the shareholders. The Remuneration Committee meets at least once a year with additional meetings convened when necessary.

3. Nomination Committee

The Nomination Committee was established by the Board on 12 July 2005 to recommend candidates with an optimal mix of qualifications, skills and experience to the Board and put in place succession plans where and when appropriate. The Nomination Committee is empowered by the Board and its terms of reference to recommend to the Board the appointment of new Directors.

The Nomination Committee also keeps under review the Board structure, size and composition as well as considering the Board's succession planning.

In addition, the Nomination Committee also evaluates annually the effectiveness of the Board as a whole and the various Committees and each individual Director's contribution to the effectiveness of the decision-making process of the Board.

The members of the Nomination Committee comprise exclusively of Non-Executive Directors as follows:

Zulkifli Bin Mohamad Razali

Chairman, Independent Non-Executive Director

Thiang Kai Goh

Member, Independent Non-Executive Director

Aggie Chew Poh Lian

Member, Independent Non-Executive Director

4. Executive Management Committee

The Executive Management Committee was established by the Board on 12 July 2005 to transact business activities of the Group subject to certain limitations as set out in the terms of reference. The Executive Management Committee meets monthly to review the performance of the Group's operations.

The Executive Management Committee consists of:

Dato' Koh Peng Chor

Chairman, Group Executive Chairman and Chief Executive Officer

Tan Sia Swee

Member, Executive Director

Law Yang Ket

Member, Executive Director

Cheong Chin Tai

Member, Executive Director

Chew Boon Swee

Member, Executive Director

Wong Siew Fong

Member, Executive Director of CNI Enterprise (M) Sdn Bhd ("CNIE")

Koh Tiah Siew

Member, Executive Director of Exclusive Mark (M) Sdn Bhd ("EM") and Q-Pack (M) Sdn. Bhd. ("Q-Pack")

Cheong Chee Kee

Member, Executive Director of Q-Pack

Chan Kok Liang

Member, Executive Director of Creative Network International (S) Pte Ltd ("CNIS")

Koh Teng Kiat

Member, Executive Director of CNIS

Ong Chun Eng

Member, Executive Director of Key Elite Sdn Bhd ("KESB")

Koh How Loon

Member, Executive Director of KESB

5. Risk Management Committee ("RMC")

The RMC was established by the Board on 12 July 2005. The RMC receives and evaluates the risk factors on the Group's businesses and works closely with the internal and external auditors in ensuring the implementation of appropriate systems to manage the identified principal risks. The Committee, based on reports from the Risk Working Committee (RWC), provides advice on the Group's co-ordination of risk management strategies.

The RMC consists of:

Cheong Chin Tai

Chairman, Executive Director

Chong Nyok Hon

Deputy Chairman, Senior Manager, Finance & Accounts of CNIE

Koh Tiah Siew

Member, Executive Director of EM and Q-Pack

Cheong Chee Kee

Member, Executive Director of Q-Pack

Chan Kok Liang

Member, Executive Director of CNIS

Ong Chun Eng

Member, Executive Director of KESB

STATEMENT ON CORPORATE GOVERNANCE

Thomas Daniel

Member, Manager, Internal Audit Department of CNI

Koh How Loon

Member, Executive Director of KESB

Goh Wee Leng

Member, Vice President of CNIS

6. Employee Equity Scheme (“EES”) Committee

The EES Committee was established by the Board on 12 July 2005 to administer the Group's EES. The purpose of EES is to reward the employees' contribution to the Group. The EES Committee recommends to the Board of Directors on any amendments to the provisions of the EES, subject to the approval of all the relevant authorities, Board of Directors and the Company's shareholders in general meeting.

The EES Committee consists of:

Dato' Koh Peng Chor

Chairman, Group Executive Chairman and Chief Executive Officer

Tan Sia Swee

Member, Executive Director

Law Yang Ket

Member, Executive Director

Cheong Chin Tai

Member, Executive Director

Chew Boon Swee

Member, Executive Director

Ong Chun Eng

Member, Executive Director of KESB

DIRECTORS' REMUNERATION

The Company's Directors' remuneration policy provides remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the businesses of the Company and to align the interest of the Directors with those of the shareholders.

The Remuneration Committee reviews annually the remuneration packages of executive directors in accordance with the Company's policy guidelines which set a proportionately high variable pay component to the remuneration package so as to strongly link remuneration to performance.

The remuneration framework for Directors as well as the remuneration package of the Group Executive Chairman is reviewed and recommended by the Remuneration Committee and determined by the Board.

None of the Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of non-executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 31 December 2006 are as follows:

	Executive Directors RM	Non-Executive Directors RM
Fees	312,000	108,000
Salaries	6,320,817	-
Profit sharing	1,234,133	-
Benefits in kind	106,450	-
Retirement benefits	1,264,315	-
Allowances	-	16,000
Total	9,237,715	124,000

The number of directors in each remuneration band are as follows:-

Range of remuneration	NUMBERS OF DIRECTORS	
	Executive Directors	Non-Executive Directors
RM0 to RM50,000	-	3
RM1,150,001 to RM1,200,000	1	-
RM1,250,001 to RM1,300,000	1	-
RM2,200,001 to RM2,250,000	1	-
RM2,250,001 to RM2,300,000	1	-
RM2,300,001 to RM2,350,000	1	-
Total	5	3

SHAREHOLDERS

The Company strives to maintain an open and transparent channel of communication with its shareholders, institutional investors and the investing public at large with the objectives of providing a clear and complete picture of the Group's performance and financial position.

The Company believes that the Company's Annual Report is a vital and convenient source of essential information for existing and potential investors and other stakeholders. The Company's Annual Report is in line with corporate governance practices which include comprehensive details of the business, financial performance and other activities of the Company.

One of the Company's key channels of communication with shareholders and investors is via the Annual General Meeting where shareholders are informed of current developments and are given the opportunity to speak and raise issues to the Directors.

Press conferences are held periodically where the media is briefed on the performance of the Company, corporate actions as well as matters of strategic importance to the Company. Mr Cheong Chin Tai, Executive Director is the Board elected spokesperson for the Group and is authorised to clarify and explain issues raised by the media.

Timely announcements are also made to the public with regards to the Company's quarterly results, corporate proposals and other activities to ensure the accurate and effective dissemination of information to the investing public at large. Apart from publishing the results in the print media, Bursa Securities also provides for the Company to electronically publish all its announcements including the full version of its quarterly results and Annual Reports. These can be accessed online through Bursa Securities' website at <http://announcements.bursamalaysia.com.my>.

The Company also maintains a website, www.cniholdings.com.my with the aim of providing shareholders and the public access to corporate information, news and other information (e.g. product promotions) pertaining to the Group's operations.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors have a responsibility to present a true and fair assessment of the Group's position and prospects in the quarterly reports to Bursa Securities and the Annual Report to shareholders. The Audit Committee assists the Board in scrutinizing information to ensure accuracy, adequacy and completeness in disclosure.

In addition to Chairman's Statement, the Annual Report of the Company contains the following additional non-mandatory information to enhance shareholders' understanding of the business operations of the Group namely financial trends and highlights and other background industry notes deemed necessary.

Internal Control

The Group's Statement on Internal Control furnished on pages 30 to 32 of the Annual Report provides an overview of the state of internal controls within the Group.

Relationship With The Auditors

The Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the appropriate accounting standards.

The Audit Committee has been explicitly accorded the power to communicate directly with both external and internal auditors. A full Audit Committee report enumerating its role in relation to the auditors is set out from pages 33 to 36 of this Annual Report.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES AND BEST PRACTICES OF THE CODE

This Statement is made in accordance with a resolution of the Board of Directors dated 16 May 2007.

Attendance Of Meetings

Name	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Executive Management Committee	Risk Management Committee	Employee Equity Scheme Committee
Dato' Koh Peng Chor	6/6	6/6	2/2		12/12		1/1
Tan Sia Swee	6/6				10/12		1/1
Law Yang Ket	6/6				10/12		1/1
Cheong Chin Tai	4/6				12/12	5/5	1/1
Chew Boon Swee	6/6		2/2		11/12		1/1
Zulkifli Bin Mohamad Razali	6/6	6/6	2/2	3/3			
Thiang Kai Goh	6/6	6/6	2/2	3/3			
Aggie Chew Poh Lian	5/6		2/2	3/3			
Wong Siew Fong					9/12		
Koh Tiah Siew					12/12	5/5	
Cheong Chee Kee					12/12	5/5	
Chan Kok Liang					11/12	3/5	
Koh Teng Kiat					3/12		
Ong Chun Eng					4/7 ⁽¹⁾	5/5	0/1
Koh How Loon					4/4 ⁽²⁾	1/1 ⁽³⁾	
Chong Nyok Hon						5/5	
Thomas Daniel						5/5	
Goh Wee Leng						2/3 ⁽⁴⁾	
Total number of meetings for 2006	6	6	2	3	12	5	1

 **Chairman**
 **Member**
 **Non-member**

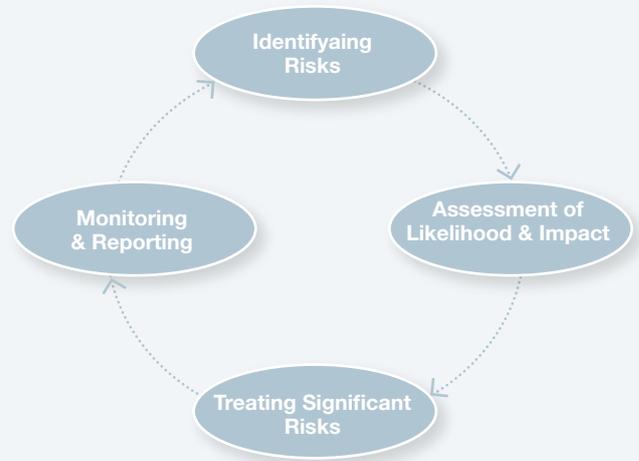
Notes:

- (1) Appointed as member on 29 June 2006
- (2) Appointed as member on 21 September 2006
- (3) Appointed as member on 11 October 2006
- (4) Appointed as member on 7 April 2006

INTRODUCTION

The Listing Requirements of Bursa Securities Malaysia Berhad ("Bursa Securities") has made it mandatory for the Board to make a statement in this Annual Report about the state of internal control in the Company as a Group.

Set out is the Board's Statement on Internal Control prepared in accordance with paragraph 15.27(b) of the Listing Requirements of Bursa Securities. The External Auditors have reviewed this Statement on Internal Control as required under paragraph 15.24 of the Listing Requirement of Bursa Securities. Their review was performed in accordance with Recommended Practice Guide 5 ("RPG 5") issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that may cause them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in reviewing the adequacy and integrity of the internal controls of the Group. RPG 5 does not require the External Auditors to form an opinion on the effectiveness of the Group's risk and control procedures.



Group's Risk Management System

THE BOARD'S RESPONSIBILITY AND COMMITMENT

The Board of CNI Holdings Berhad acknowledges that it is responsible for maintaining a sound system of internal controls covering not only financial controls but also controls relating to operational compliance and risk management to safeguard shareholders' investments and the Group's assets. In this respect, it is committed in making sure that this responsibility is properly discharged.

The Board recognises that the Group's system of internal control is designed to manage rather than eliminate the risk of failure in achieving the Group's business objectives. Therefore, the system of internal control can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board is continuing its ongoing process of identifying, assessing and managing key businesses, operational and financial risks faced by its business units. The Board reviews this process on a quarterly basis.

Enterprise Risk Management ("ERM") Framework

The Group has established an Enterprise Risk Management framework to pursue a disciplined, comprehensive and integrated approach to risk management. By means of adopting a proactive risk management culture and with the appropriate tools, the Group aims to minimise the potential for undesired risk exposures.

The Group has put in place an ongoing risk management process of identifying risks, assessing its likelihood and impact and taking preventive measures to manage potential risks which may affect the achievement of the Group's corporate and business objectives.

For the financial year under review, the Group has drawn up action plans and taken preventive measures to manage the Group's high risks that were identified during the risk management process.

The Group's Risk Management Committee (RMC) ("Committee") was established on 12 July 2005 to focus on the risk management process. The objectives of the Committee are:

1. To raise the level of management awareness of and accountability for, the business and treasury risks faced by the Group;
2. To develop risk management as part of the culture of the Group;
3. To oversee the formal development of risk management policy encompassing business, operational, compliance and financial risks; and
4. To provide a mechanism for risk management issues to be discussed and disseminated to all parts of the Group.

STATEMENT ON INTERNAL CONTROL

The Group has also established Risk Working Committee (“RWC”) with the following objectives:

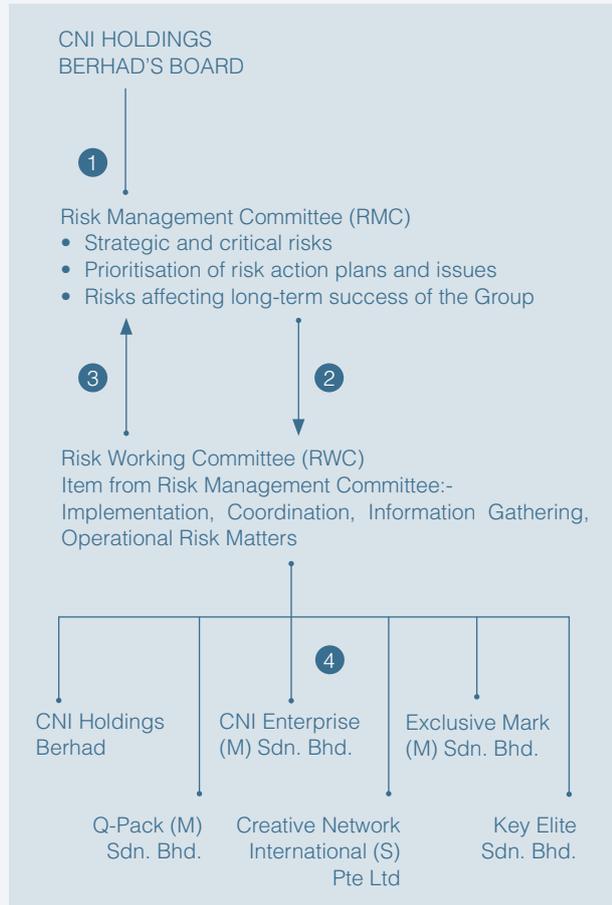
1. Be responsible for the implementation and coordination of the Risk Management Process of the Group;
2. To recommend the appropriate risk appetite or level of exposure for the Group’s operational and compliance risks;
3. To identify and quantify operational risks affecting the Group and ensure that proper procedures are in place to manage those risks;
4. Be responsible for developing tools and methodologies for the identification, measurement, monitoring and control of risks encompassing business, operational, compliance and financial risks;
5. Help embed a risk management culture into all major decisions, through risk education, controls and procedures;
6. Compile and submit reports when necessary to the RMC; and
7. Compile CNI's Key Risk Profile in accordance with the Risk Management Method prescribed in its Risk Management Process.

The Committee, with input from its RWC, provides advice on the co-ordination of risk management such as:

1. To co-ordinate activities with the RWC to obtain a more effective risk management process from existing resources;
2. To prioritise and accelerate those risk management strategies that are critical to the advancement of the Group’s objectives;
3. To approve risk management appetite/level and parameters appropriate to different divisions of the Group and its businesses;
4. To evaluate and assess the adequacy of strategies to manage the overall risks associated to the Group; and
5. To ensure that actions required are given the appropriate level of sponsorship and support.

RISK MANAGEMENT GOVERNANCE AND COMMITTEE STRUCTURE

The following is the governance structure for Risk Management of the CNI Group of Companies.



Explanation

- 1 The Risk Management Committee reports to the Board of Directors of CNI Holdings Berhad.
- 2 The Risk Management Committee (“RMC”) prioritises and accelerates risk management strategies and co-ordinates activities with the Risk Working Committee.
- 3 The Risk Working Committee (“RWC”) is responsible for implementation and coordination of the Risk Management Process on behalf of the RMC. RWC also compiles and submits reports when necessary to the RMC.
- 4 RWC coordinates with the Business Units within the Group to identify and quantify Business risks, Operational risks, Compliance risks and Financial risks to ensure that arrangements are in place to manage those risks.

Monitoring Mechanisms and Management Style

Under the purview of the Group Executive Chairman and Chief Executive Officer, the respective heads of each operating subsidiary and department within the Group are empowered with the responsibility of managing their respective operations.

The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through its various Board and Management Committees and the various management reporting mechanisms. Through these mechanisms, the Board is informed of all business operations and major control issues pertaining to internal controls, regulatory compliance and risk management.

Scheduled monthly and quarterly meetings of the Board and Management Committees present the main platform by which the Group's performance and conduct are monitored. Monthly meetings by the Group's Management Committees were conducted to review and monitor matters pertaining to the businesses, operations, plans and strategic issues.

The Board and the Group's Management receive periodical financial results from each subsidiary and the Group reports quarterly to Bursa Securities in compliance with the Listing Requirements of Bursa Securities.

Other Key Elements of the Group's System of Internal Control

The other key elements of the Group's internal control system include:

1. Clearly defined duties and responsibilities of the Board and Management committees. The organisation structure defines the line of reporting.
2. Strategic planning, annual budgeting and target-setting process, which includes forecasts for each area of business with detailed reviews at all levels of operations.
3. The Board reviews and approves the annual budget. The Board also reviews the Group's actual performance against the budget on a quarterly basis with detailed explanation of any major variances. The Executive Management Committee reviews the actual performance against the budget on a monthly basis with detailed explanation of any major variances.
4. Policy guidelines, procedures and authority limits are established for Executive Directors and management within the Group in respect of day-to-day functions and operations.
5. Policies and procedures of the relevant operating units within the Group are documented in Standard Operating Procedures in line with ISO, Good Manufacturing Practice (GMP), Hazard Analysis & Critical Control Point (HACCP) together with industrial practices.
6. Regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilisation and cash flow performance.

7. The Executive Directors meet on a monthly basis with all Subsidiary Heads and Departmental Heads to deliberate on the Group's commercial and financial performances, business development, management and corporate issues.
8. Employees are required to sign and adhere to the Code of Ethics, which upholds the Group's corporate values and ethical code of conduct.
9. The performance appraisal system is linked to individual and strategic goals which are based on performance, result and accountability, while at the same time promoting a sense of accountability and team spirit.
10. The Group has a Training and Development department that arranges and facilitates internal and external training programmes for its employees in relation to their respective areas of work. The various training organised by the Group focus on motivation, leadership and team building so as to maintain a high level of competency and capability among the Group's employees.
11. The Group's subsidiaries maintain a Quality Management System that monitors conformance with the operating units' standard procedures and ensure that the system is continuously being improved.
12. The Group has adopted a succession plan for the key positions within the Group. It has also implemented a talent management programme to develop and retain key personnel.
13. The Group has implemented Crisis Communication Management on 12 October 2006 with the objective of handling effectively the flow and dissemination of communication to the external parties such as media, government agencies and the Group's other stakeholders during a crisis.
14. An internal audit function carries out internal audits based on an annual risk-based audit plan approved by the Audit Committee. Further details of the internal audit department are set out in the Audit Committee report on pages 33 to 36 on this Annual Report.

CONCLUSION

For the financial year under review, and up to the date of issuance of the Annual Report and Financial Statements, the Board considers the system of internal control described in this statement to be adequate and the risks are considered to be at an acceptable level within the context of the Group's business environment.

The Board and Management will continue to take measures to strengthen the control environment of the Group.

For this purpose and for the financial year under review, the Board is satisfied that there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies which are required to be disclosed in the Annual Report.

MEMBERSHIP & MEETINGS

The Audit Committee held six (6) meetings during the financial year ended 31 December 2006. The attendance of each member of the Audit Committee was as follows:-

Members	Attendance
Thiang Kai Goh Chairman Independent Non-Executive Director	6/6
Dato' Koh Peng Chor Member Group Executive Chairman and CEO	6/6
Zulkifli Bin Mohamad Razali Member Independent Non-Executive Director	6/6

Representatives of the External Auditors, Messrs Moore Stephens, Chartered Accountants, the Director of Operations, Head of Internal Audit Department and the Head of Group Finance & Accounts Department attended the meetings by invitation to discuss specific issues.

A key feature prior to each Audit Committee Meeting was a private session between the Chairman and the Head of Internal Audit Department without the Management's presence. The Audit Committee also had a meeting with the External Auditors without the Management's presence.

The minutes of meetings of the Audit Committee were circulated to all members of the Board and significant issues were discussed at Board Meetings.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the year, the Audit Committee carried out its duties, which are set out in the terms of reference as in pages 34 to 36.

Apart from these duties the main activities performed by the Audit Committee during the financial year ended 31 December 2006 were as follows:

1. Reviewed the unaudited quarterly financial results of the Group and the company, and to recommend the same with or without amendments to the Board for its approval and release to Bursa Malaysia Securities Berhad ("Bursa Securities").
2. Reviewed with the External Auditors the audited financial statements of the Group and to recommend the same to the Board, with or without amendments for its approval.
3. Reviewed and approved the Audit Committee Report and Internal Control Statement to be presented in the annual report by the Board.
4. Reviewed and discussed with the External Auditors the scope and nature of their audit plan for the Group.
5. Reviewed and approved the annual internal audit plan proposed by the Internal Auditors.
6. Reviewed the annual internal audit budget and Human Resource requirement proposed by the Internal Auditors.
7. Reviewed the audit reports presented by the Internal Auditors on their findings and recommendations arising from their audits of the respective companies/departments/divisions.
8. Reviewed the recurrent related party transactions that were present in Group.
9. Reviewed the effectiveness of preventive measures undertaken by each company/department in the implementation of Enterprise Risk Management ('ERM') in the Group.
10. Reviewed the action plans, reasons and explanations given by each company/department/division in relation to its monitoring, measuring and reviewing the Group's financial performance against its annual budget.
11. Proposed to the Board for a more stringent management control over the Group's preparation, accountability and remedial actions of the annual budget.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by the Internal Audit Department which reports to the Audit Committee on its activities based on the approved annual Internal Audit Plan.

The emphasis of the internal audit function is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that the system continues to operate satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis.

During the financial year, the activities carried out by the Internal Audit department include, among others, the review of the Group's system of internal controls for effectiveness and efficiency, compliance with established rules, guidelines, laws and regulations, reliability and integrity of information and means of safeguarding assets as well as reviewing the adequacy of Group's risk management.

The internal audit reports issued by the Internal Audit department were deliberated during the Audit Committee meetings and recommendations from the reports were duly acted upon by the Management. The Internal Audit department has also performed follow-up reviews on the status of rectification with regards to significant audit issues and has updated the Audit Committee on the current status.

TERMS OF REFERENCE

The Audit Committee is governed by the terms of reference which was formally endorsed by the Board on 25 May 2005. The terms of reference was revised on 10 November 2005, to take into account the specific structure of the Group.

1. Memberships

The Committee was appointed by the Board from amongst its Directors and it consists of three (3) members with the majority being Independent Non-Executive Directors.

At least one member of the Audit Committee:

- (a) must be a member of the Malaysian Institute of Accountants (MIA), or
- (b) if he is not a member of the MIA, he must have at least 3 years' working experience and
 - (i) have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) he must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
- (d) he must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

In our CNI Group, the Chairman of the Audit Committee is a Member of the Malaysian Institute of Accountants.

Alternate Directors cannot be appointed as a member of Audit Committee.

Quorum is to be two (2) members composed of a majority of Independent Non-Executive Directors.

Members of the Audit Committee are appointed for an initial term of 3 years after which they will be eligible for re-appointment.

The Board of Directors of the Company reviews the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference (Articles 91 and 92 of the Memorandum of Articles and Association).

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members being reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Audit Committee are to select a Chairman from among themselves who is an Independent Non-Executive Director. Mr. Thiang Kai Goh is the current Chairman.

2. Meetings

The Audit Committee shall meet at least four (4) times in a year although additional meetings maybe called at any time, at the discretion of the Chairman. The Audit Committee met six (6) times in year 2006.

Head of Finance and Accounts department, Head of Internal Audit department and/or representatives of External auditors are invited to these meetings of the Audit Committee as

and when they are required. Other Board members also attend the meetings upon the invitation of the Committee. The Committee also meet once a year with the external auditors without any executive Board members present.

The Company Secretary is the Secretary of the Committee. The Secretary is responsible, in conjunction with the Chairman, for drawing up the Agenda and circulating it to the Committee members prior to each meeting. The Secretary is also responsible for keeping the minutes of the meetings of the Committee, and circulating them to the Committee members and to other members of the Board.

A resolution in writing signed or approved by letter by the members of the Audit Committee sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. All such resolutions are described as "Audit Committee Circular Resolutions" and are forwarded or otherwise delivered to the Secretary without delay, and are recorded by her in the Company's minute book. Any such resolutions may consist of several documents in like form, each signed by one (1) or more members.

3. Authority

The Audit Committee is authorised by the Board to:

- (a) investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group or the Company;
- (d) have direct communication channels with the External auditors and person(s) carrying out the internal audit function;
- (e) obtain independent professional or other advice if it considers necessary; and
- (f) convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

4. Duties and Responsibilities

The duties and responsibilities of Audit Committee include:

- (a) To review with the External Auditors:
 - (i) the audit plan;
 - (ii) the evaluation of the system of internal controls;
 - (iii) the audit report, together with the financial statements for the financial year/period, management letter and management response.
- (b) To consider and recommend the appointment, resignation and/ or dismissal of the External Auditors.
- (c) To review with the Internal Auditors:
 - (i) the adequacy of the scope, functions and resources and of internal audit function;
 - (ii) whether the necessary authority is obtained to carry out the audit work;
 - (iii) the internal audit programme, processes, and the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken by management on the recommendations of the internal audit function;
 - (iv) table and approve the internal audit reports; and
 - (v) approve the annual audit plan and annual audit budget.
- (d) To decide the appointment, remuneration, performance, appraisal, transfer and dismissal of the Head of Internal Audit.
- (e) To review with the management and/ or External Auditors the quarterly, half-yearly, and yearly unaudited financial statements of the Group and the Company before recommending the same to the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) compliance with accounting standards and other legal requirements;
 - (iv) the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- (f) To review related party transactions and conflict of interest situations that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity.
- (g) To review current/ pending litigation or regulatory proceedings bearing on corporate governance in which the Company is a party.
- (h) To review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports.
- (i) To review the means of safeguarding asset and, where appropriate, verify the existence of such assets.
- (j) To appraise the economy, effectiveness and efficiency with which resources are employed.
- (k) To review operations or programmes to ascertain whether results are consistent with established objectives and goals, and whether the operations/programmes are being carried out as planned.
- (l) Such other matters as the Board may from time to time determine

STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility (CSR) has long been a part of CNI's values and plays a strategic role in how we operate. As a good corporate citizen, we believe in conducting our business in an ethical and socially responsible manner.

In practice, we discharge our corporate social responsibilities through various means and ways, be it in helping the underprivileged, practising good corporate governance, preserving the environment, helping to build the nation or ensuring a healthy and safe working environment for our employees' well-being.

In principle, we believe in practising and promoting good corporate social responsibility, which is very much ingrained in CNI's culture and values. Despite operating in an increasingly competitive environment, we have not wavered in our responsibilities and obligations to our customers, stakeholders, shareholders and the community at large.

Environment, Health & Safety (EHS)

Environment, health & safety (EHS) considerations form an integral part of CNI's operations and decision making, as these contribute to the overall competitiveness of the CNI Group.

As a leading food, beverage and consumer products manufacturer in the country, we are committed to upholding and practising good hygiene, quality and food safety management, whilst adopting a proactive role in preserving the environment through our Environmental Management System (EMS) which stresses on the 3R's – Reduce, Reuse and Recycle.

The state-of-the-art facilities at our two plants, Exclusive Mark and Q-Pack are also designed and constructed under strict international Good Manufacturing Practice (GMP) specifications to facilitate proper manufacturing operation, as well as to ensure the quality and safety of our products and processes. The enforcement of our Occupational Health and Safety Management System (OHSAS) has further enhanced our concerted efforts to ensure a safe and healthy environment for our employees.

In this regard, we practise the policy of having our business performance attained through continuous improvements on our management system, with periodic reviews conducted on our objectives, targets and programmes in four key areas:

- Product quality and safety
- Prevention of injuries and health hazards
- Waste minimisation
- Pollution control and prevention

Community Programmes

Guided by the philosophy "With a Heart to Warm the World", the CNI Group takes great pride in its involvement in various community programmes through its charity arm, CNI Foundation or Yayasan CNI.

Established in 1998, the foundation is focused on reaching out to every community in need regardless of race, creed, colour, religion or country. Led by Datin Angeline Koh, wife of Group Executive Chairman and CEO Dato' Koh Peng Chor, the foundation has spread its caring wings to many local and international aid projects over the years which include:

Local and International Aid Projects

- "Share Your Love, Share Your Clothes" project to collect and distribute used clothings for impoverished Bosnians, Cambodians and Vietnamese
- Initiated the "China Aid Programme" where 1% of the Group's profit for the month was donated to assist victims of the Hua Dong flood tragedy
- Donated 20 tonnes of food for the National Flood Foundation
- Donated RM500,000 to the Asian Tsunami Disaster

Goodwill, Solidarity and Cultural Interaction Projects

- Co-organised "The Legend of Liu San Jie Musical Drama" in conjunction with the 30th Anniversary of Diplomatic Ties between China and Malaysia
- Co-organised "Konsert Harmoni Keranamu Malaysia" with the Prime Minister's Department - a project geared towards national harmony which was officiated by His Majesty, the Yang DiPertuan Agung
- Co-organised the Tang Long Cup World Dragon and Lion Dance Championship which attracted participation from 10 countries
- Organised "Pentas Amal Cintai Malaysia" which attracted more than 10,000 audiences from different races

Education, National Awareness and Medical/Health Projects

- Organised various youth training camps and offered annual education incentives and scholarships for children of CNI's distributors and underprivileged children
- Collected 1,060 packs of blood in a day in conjunction with "Setitis Darah Seribu Jasa" blood donation campaign
- Contributed dialysis machines to various haemodialysis centres nationwide
- Organised "Crime Free Campaign" with cooperation from the Police Department and Petaling Jaya Parliament Committee

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group and the Company's results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring that the Group and the Company keep accounting records and financial statements which disclose with reasonable accuracy, the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965, approved accounting standards in Malaysia and other regulatory provisions.

Financial Statements

Directors' Report	40
Statement by Directors & Statutory Declaration	45
Report of the Auditors to the Members	46
Consolidated Balance Sheet	47
Consolidated Income Statement	49
Consolidated Statement of Changes in Equity	50
Consolidated Cash Flow Statement	52
Balance Sheet	54
Income Statement	56
Statement of Changes in Equity	57
Cash Flow Statement	58
Notes to the Financial Statements	60

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December, 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary companies are set out in note 7 to the financial statements. There have been no significant changes in the nature of these activities during the year.

RESULTS

	GROUP RM	COMPANY RM
Profit attributable to the shareholders	25,359,081	22,601,768

DIVIDEND

During the year,

- (i) the Company paid a second interim dividend of RM0.015 per share less 28% tax amounting to RM6,480,000/- in respect of the previous financial year ended 31 December, 2005 as reported in the Directors' Report of that year; and
- (ii) the Directors declared an interim dividend of RM0.015 per share less 27% tax amounting to RM7,873,684/- for the current financial year and paid on 19 January, 2007.

Subsequent to the financial year end, the Company declared a second interim dividend of RM0.015 per share less 27% tax based on 718,817,700 ordinary shares amounting to RM7,871,051/- payable on 13 April, 2007 in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of provision for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:-

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, the following issue of shares was made by the Company:-

Class	Number	Terms of Issue	Purpose of Issue
Ordinary share of RM0.10 each	120,000,000	Non-cash	Bonus issue of 1 new ordinary share of RM0.10 each for every 5 existing ordinary shares of RM0.10 each via capitalisation of retained earnings

TREASURY SHARES

During the financial year, the Company repurchased a total of 1,119,300 of its issued and fully paid ordinary shares from the open market in accordance to the treasury shares scheme. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The details of treasury shares during the financial year are as follows:-

Month	No. of shares repurchased	Price per share			Total Consideration
		Highest	Lowest	Average	
		RM	RM	RM	
1 September 2006	141,200	0.495	0.485	0.490	69,531
1 October 2006	606,500	0.470	0.455	0.462	283,451
1 December 2006	371,600	0.450	0.480	0.465	174,131
	1,119,300				527,113

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:-

Dato' Koh Peng Chor
Tan Sia Swee
Chew Boon Swee
Cheong Chin Tai
Law Yang Ket
Thiang Kai Goh
Zulkifli Bin Mohamad Razali
Aggie Chew Poh Lian (F)

The interests of the Directors in office as at the end of the financial year in the shares of the Company during the financial year according to the registers required to be kept under Section 134 of the Companies Act, 1965, are as follow:-

	Number of Ordinary Shares of RM0.10 Each				
	At				At
	1.1.06	Bonus Issue	Bought	Sold	31.12.06
Direct Interest					
Dato' Koh Peng Chor	2,065,200	415,040	10,000	-	2,490,240
Tan Sia Swee	20,214,150	4,042,830	-	-	24,256,980
Chew Boon Swee	940,512	188,102	-	-	1,128,614
Cheong Chin Tai	1,000,000	200,000	-	-	1,200,000
Law Yang Ket	1,156,460	231,292	-	-	1,387,752
Indirect Interest					
Dato' Koh Peng Chor	* 309,881,236	62,110,207	669,800	-	* 372,661,243
Tan Sia Swee	** 1,397,000	279,400	-	-	** 1,676,400

* Shares held through person connected to the Director and/or companies in which the Director have substantial financial interests.

** Shares held through person connected to the Director.

By virtue of their interest in the shares of the Company the Directors as disclosed above are also deemed to have an interest in the shares of the subsidiary companies to the extent of the shareholdings of the Company.

In accordance with Article 91 of the Company's Articles of Association, Dato' Koh Peng Chor, Mr. Cheong Chin Tai and Mr. Chew Boon Swee retire from the board at the forthcoming annual general meeting and being eligible offer themselves for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than those disclosed in note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for the deemed benefit which may arise from transactions entered into in the ordinary course of business as disclosed in note 39 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS

Significant events arising during the financial year are disclosed in note 41 to the financial statements.

SUBSEQUENT EVENTS

Significant events arising subsequent to the financial year are disclosed in note 42 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens, have expressed their willingness to continue in office.

On Behalf of the Board



DATO' KOH PENG CHOR



TAN SIA SWEE

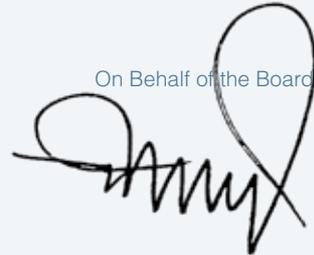
Kuala Lumpur
10th April 2007

STATEMENT BY DIRECTORS & STATUTORY DECLARATION

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 47 to 108, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December, 2006 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board



DATO' KOH PENG CHOR



TAN SIA SWEE

Kuala Lumpur
10th April 2007

STATUTORY DECLARATION

I, Chong Nyok Hon, NRIC No.: 660313-08-5695, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 47 to 108 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
On 10th April 2007

Before me



No. 66 Jalan Tun Perak
50050 Kuala Lumpur



CHONG NYOK HON

REPORT OF THE AUDITORS TO THE MEMBERS OF
CNI HOLDINGS BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 47 to 108.

The preparation of the financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of:-
- (i) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and

- (ii) the state of affairs of the Group and of the Company as at 31 December, 2006 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date;

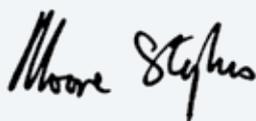
and

- (b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in note 7 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Companies Act, 1965.



MOORE STEPHENS
CHARTERED ACCOUNTANTS
(AF.0282)



AU TAI WEE
1551/01/09 (J)
PARTNER

Kuala Lumpur
10 April 2007

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2006

	NOTE	2006 RM	2005 RM (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	56,706,586	66,075,397
Capital work-in-progress	5	1	391,779
Investment properties	6	9,965,000	8,448,000
Intangible asset	8	2,037	123,008
Receivables	9	537,369	865,423
Deferred tax assets	10	1,912,400	2,609,500
		69,123,393	78,513,107
Current assets			
Inventories	11	22,839,210	27,917,370
Receivables	9	12,267,323	8,731,442
Tax assets	12	2,304,241	1,808,986
Investments	13	15,047,793	-
Cash and bank balances	14	17,867,518	9,085,245
		70,326,085	47,543,043
Non-current assets held for sale	15	5,258,770	-
		75,584,855	47,543,043
TOTAL ASSETS		144,708,248	126,056,150

	NOTE	2006 RM	2005 RM (restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	16	72,000,000	60,000,000
Reserves	17	21,466,642	22,852,657
Total equity		93,466,642	82,852,657
Liabilities			
Non-current liabilities			
Retirement benefits	18	11,421,674	10,157,359
Other borrowings	19	214,565	4,824,138
Deferred tax liabilities	10	1,388,500	1,440,200
		13,024,739	16,421,697
Current liabilities			
Provision	20	182,438	185,369
Other borrowings	19	469,013	1,046,258
Payables	21	23,614,066	23,233,583
Bank overdrafts	22	1,396,877	1,969,855
Taxation		131,307	346,731
Dividend payable		7,873,684	-
		33,667,385	26,781,796
Liabilities directly associated with assets classified as held for sale	23	4,549,482	-
		38,216,867	26,781,796
Total liabilities		51,241,606	43,203,493
TOTAL EQUITY AND LIABILITIES		144,708,248	126,056,150

The annexed notes form an integral part of and should be read in conjunction with, these financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006

	NOTE	2006 RM	2005 RM (restated)
Operating revenue	27	204,005,587	234,223,304
Direct operating costs	28	(64,340,721)	(73,223,737)
Gross profit		139,664,866	160,999,567
Other operating revenue		5,205,578	3,627,111
Administrative costs		(25,270,103)	(25,210,860)
Other operating costs		(2,582,804)	(4,057,991)
Distribution costs		(80,831,305)	(92,308,744)
		(108,684,212)	(121,577,595)
Profit from operations		36,186,232	43,049,083
Finance costs		(1,217,025)	(1,007,442)
Profit before taxation	29	34,969,207	42,041,641
Taxation	30	(9,610,126)	(11,796,109)
Profit for the year		25,359,081	30,245,532
Earnings per share (sen)	31	3.52	4.20

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2006

	Non-Distributable					Distributable		Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Treasury Shares RM	Reserve on Consolidation RM	Translation Reserve RM	Retained Earnings RM	
At 1.1.05								
As previously reported	2,697,000	5,705,300	22,099,670	-	693,674	(75,010)	33,406,416	64,527,050
Effect of adopting FRS 140 (note 44 (d))	-	-	-	-	-	-	432,017	432,017
As restated	2,697,000	5,705,300	22,099,670	-	693,674	(75,010)	33,838,433	64,959,067
Bonus issue	57,303,000	(4,205,300)	(22,099,670)	-	-	-	(30,998,030)	-
Listing expenses written off	-	(1,500,000)	-	-	-	-	-	(1,500,000)
Foreign exchange translation differences	-	-	-	-	-	(51,942)	-	(51,942)
Expenses recognised directly in equity	-	(1,500,000)	-	-	-	(51,942)	-	(1,551,942)
Net profit for the year	-	-	-	-	-	-	30,245,532	30,245,532
Total income and expense recognised for the year	-	(1,500,000)	-	-	-	(51,942)	30,245,532	28,693,590
Dividends (note 32)	-	-	-	-	-	-	(10,800,000)	(10,800,000)
At 31.12.05	60,000,000	-	-	-	693,674	(126,952)	22,285,935	82,852,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2006

	Non-Distributable				Distributable			Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Treasury Shares RM	Reserve on Consolidation RM	Translation Reserve RM	Retained Earnings RM	
At 31.12.05	60,000,000	-	-	-	693,674	(126,952)	22,285,935	82,852,657
Effect of adopting FRS 3 (note 44 (a)(i))	-	-	-	-	(693,674)	-	693,674	-
Bonus issue	12,000,000	-	-	-	-	-	(12,000,000)	-
Foreign exchange translation differences	-	-	-	-	-	135,701	-	135,701
Net profit for the year	-	-	-	-	-	-	25,359,081	25,359,081
Total income recognised for the year	-	-	-	-	-	135,701	25,359,081	25,494,782
Purchase of treasury shares (note 17)	-	-	-	(527,113)	-	-	-	(527,113)
Dividends (note 32)	-	-	-	-	-	-	(14,353,684)	(14,353,684)
At 31.12.06	72,000,000	-	-	(527,113)	-	8,749	21,985,006	93,466,642

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006

	2006	2005
NOTE	RM	RM
Cash Flows from Operating Activities		
Profit before taxation	34,969,207	42,041,641
Adjustments for :-		
Change in fair value of investment properties	(1,517,000)	493,540
Depreciation of property, plant and equipment	4,621,883	4,580,750
Impairment loss on goodwill	120,971	-
Impairment loss on capital work-in-progress	391,778	-
Inventories written off	544,112	-
Allowance for doubtful debts no longer required	-	(2,739)
Allowance for doubtful debts	-	182,463
Bad debts written off	31,030	99,728
Impairment loss on non-current assets held for sale	686,314	2,624,820
Unrealised (gain)/loss on foreign exchange	(11,034)	30,680
Gain on disposal of property, plant and equipment	(79,194)	(274,479)
Property, plant and equipment written off	186,824	13,932
Retirement benefits expense	1,264,315	1,169,158
Employee benefits expense	182,438	185,369
Interest expenses	44,919	135,818
Investment income	(228,819)	-
Interest revenue	(389,534)	(390,867)
Operating profit before working capital changes	40,818,210	50,889,814
Decrease in inventories	4,534,048	6,015,833
(Increase)/Decrease in receivables	(3,236,538)	2,700,259
Increase/(Decrease) in payables	203,829	(11,998,895)
Cash generated from operations	42,319,549	47,607,011
Interest expenses	(44,919)	(135,818)
Interest revenue	389,534	390,867
Tax paid	(9,675,405)	(14,811,432)
Net cash generated from operating activities carried down	32,988,759	33,050,628

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006

		2006	2005
	NOTE	RM	RM
Net cash generated from operating activities brought down		32,988,759	33,050,628
Cash Flows from Investing Activities			
Withdrawal of fixed deposits		-	528,598
Acquisition of subsidiary company, net of cash acquired	33	-	-
Purchase of quoted investments		(15,047,793)	-
Subsequent expenditure of investment properties		-	(153,540)
Purchase of property, plant and equipment	34	(968,115)	(9,879,258)
Investment income		228,819	-
Proceeds from disposal of property, plant and equipment		169,420	790,759
Capital work-in-progress incurred		(638,141)	(4,013,865)
Net cash used in investing activities		(16,255,810)	(12,727,306)
Cash Flows from Financing Activities			
Repayment of term loans		(324,422)	(41,668)
Purchase of treasury shares		(527,113)	-
Listing expenses incurred		-	(611,696)
Proceed from term loan		-	4,915,572
Proceeds from short term bank borrowings		-	680,000
Repayment of hire purchase liabilities		(112,914)	(536,075)
Repayment of short term bank borrowings		(216,000)	(175,898)
Dividend paid		(6,480,000)	(53,132,112)
Net cash used in financing activities		(7,660,449)	(48,901,877)
Effect of exchange rate changes		288,351	(307,599)
Net increase/(decrease) in cash and cash equivalents		9,360,851	(28,886,154)
Cash and cash equivalents at beginning of the year		7,115,390	35,985,121
Effects of exchange rate changes on cash and cash equivalents		(5,600)	16,423
Cash and cash equivalents at end of the year	35	16,470,641	7,115,390

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

	NOTE	2006 RM	2005 RM (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	609,882	10,080
Investment properties	6	9,965,000	8,448,000
Investment in subsidiary companies	7	56,784,405	56,684,405
Receivables	9	21,146	36,812
Deferred tax assets	10	-	324,000
		67,380,433	65,503,297
Current assets			
Receivables	9	8,356,016	2,850,444
Tax assets	12	268,016	194,470
Investments	13	2,036,039	-
Dividend receivable		7,884,000	-
Cash and bank balances	14	439,336	1,103,294
		18,983,407	4,148,208
TOTAL ASSETS		86,363,840	69,651,505

	NOTE	2006 RM	2005 RM (restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	16	72,000,000	60,000,000
Reserves	17	3,542,682	7,821,711
Total equity		75,542,682	67,821,711
Non-current liabilities			
Retirement benefits	18	1,405,640	673,636
Deferred tax liabilities	10	25,000	-
		1,430,640	673,636
Current liabilities			
Provision	20	16,644	-
Payables	21	1,500,190	809,447
Taxation		-	346,711
Dividend payable		7,873,684	-
		9,390,518	1,156,158
Total liabilities		10,821,158	1,829,794
TOTAL EQUITY AND LIABILITIES		86,363,840	69,651,505

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CNI HOLDINGS BERHAD
 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006

		2006	2005
	NOTE	RM	RM
			(restated)
Operating revenue	27	37,441,161	25,117,811
Direct operating costs	28	(100,965)	(131,506)
Gross profit		37,340,196	24,986,305
Other operating revenue		1,735,986	10,807
Administrative costs		(7,331,664)	(6,580,839)
Other operating costs		(127,113)	(522,555)
		(7,458,777)	(7,103,394)
Profit from operations		31,617,405	17,893,718
Finance costs		(22,629)	(22,606)
Profit before taxation	29	31,594,776	17,871,112
Taxation	30	(8,993,008)	(5,125,773)
Net profit for the year		22,601,768	12,745,339

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2006

	Non-Distributable			Distributable		Total Equity
	Share Capital	Share Premium	Investment Revaluation Reserve	Treasury Shares	Retained Earnings	
	RM	RM	RM	RM	RM	RM
At 1.1.05						
As previously reported	2,697,000	5,705,300	49,901,186	-	8,640,869	66,944,355
Effect of adopting FRS 140 (note 44(d))	-	-	-	-	432,017	432,017
As restated	2,697,000	5,705,300	49,901,186	-	9,072,886	67,376,372
Bonus issue	57,303,000	(4,205,300)	(49,901,186)	-	(3,196,514)	-
Listing expenses written off	-	(1,500,000)	-	-	-	(1,500,000)
Net profit for the year	-	-	-	-	12,745,339	12,745,339
Total income and expenses recognised for the year	-	(1,500,000)	-	-	12,745,339	11,245,339
Dividends (note 32)	-	-	-	-	(10,800,000)	(10,800,000)
At 31.12.05	60,000,000	-	-	-	7,821,711	67,821,711
Bonus issue	12,000,000	-	-	-	(12,000,000)	-
Purchase of treasury shares (note 17)	-	-	-	(527,113)	-	(527,113)
Net profit for the year	-	-	-	-	22,601,768	22,601,768
Dividends (note 32)	-	-	-	-	(14,353,684)	(14,353,684)
At 31.12.06	72,000,000	-	-	(527,113)	4,069,795	75,542,682

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006

	NOTE	2006 RM	2005 RM (restated)
Cash Flows from Operating Activities			
Profit before taxation		31,594,776	17,871,112
Adjustments for:-			
Dividend revenue		(30,947,207)	(17,713,530)
Depreciation of property, plant and equipment		12,677	2,259
Allowance for doubtful debts		-	8,003
Change in fair value of investment properties		(1,517,000)	493,540
Unrealised gain on foreign exchange		-	(6,135)
Retirements benefits expense		732,004	673,636
Provision of employee benefits		16,644	-
Investment income		(36,039)	-
Interest expenses		85	18
Interest revenue		(182,197)	(4,667)
Operating (loss)/profit before working capital changes		(326,257)	1,324,236
Decrease/(increase) in receivables		92,606	(111,038)
Increase/(decrease) in payables		690,743	(817,082)
Cash generated from operations		457,092	396,116
Interest paid		(85)	(18)
Dividend received		14,505,989	56,192,825
Interest revenue received		182,197	4,667
Tax paid		(507,047)	(290,000)
Net cash generated from operating activities		14,638,146	56,303,590
Cash Flows from Investing Activities			
Advances to subsidiary companies		(5,582,512)	(1,436,965)
Purchase of investments		(2,036,039)	-
Acquisition of subsidiary company		(100,000)	-
Investment income received		36,039	-
Subsequent expenditure of investment property		-	(153,540)
Purchase of property, plant and equipment	34	(612,479)	(3,926)
Net cash used in investing activities		(8,294,991)	(1,594,431)
Balance carried down		6,343,155	54,709,159

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006

	NOTE	2006	2005
		RM	RM
			(restated)
Balance brought down		6,343,155	54,709,159
Cash Flows from Financing Activities			
Listing expenses incurred		-	(611,696)
Purchase of treasury shares		(527,113)	-
Dividend paid		(6,480,000)	(53,132,112)
Net cash used in financing activities		(7,007,113)	(53,743,808)
Net (decrease)/increase in cash and cash equivalents		(663,958)	965,351
Cash and cash equivalents at beginning of the year		1,103,294	137,943
Cash and cash equivalents at end of the year	35	439,336	1,103,294

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Wisma CNI, No. 2, Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary companies are set out in note 7 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 10 April, 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities issued by the Malaysian Accounting Standards Board ("MASB").

The measurement bases applied in the presentation of the financial statement of the Group and of the Company included cost, recoverable amount, realisable value and fair value. Estimates are used in measuring these values.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. All financial information presented in RM has been rendered to nearest RM unless otherwise stated.

The preparation of financial statements of the Group and of the Company requires management to make assumptions, estimates and judgements that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Assumptions and estimates are reviewed on an ongoing basis and are recognized in the period in which the assumption or estimate is revised.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:-

- (i) Annual testing for impairment of goodwill and intangible assets (Note 8) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management covering a 5-year period. For cash flows beyond the fifth year period, it is extrapolated using estimated growth rates and discount rates applied to the cash flow projections.
- (ii) Deferred tax assets (Note 10) - deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

3. SIGNIFICANT ACCOUNTING POLICIES

On 1 January, 2006, the Group and the Company adopted where applicable the following Financial Reporting Standards ("FRS") issued by MASB mandatory for accounting periods beginning on or after 1 January, 2006.

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 104	Depreciation Accounting
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 129	Financial Reporting in Hyperinflationary Economics
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosures and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of these FRS standards does not have any material financial impact on the Group and on the Company, or any significant changes in accounting policies of the Group and of the Company except as disclosed in Note 44.

The Group and the Company have not early adopted the FRSs as follows:-

FRS 117	Leases, which is effective for financial periods on or after 1 October, 2006
FRS 124	Related Party Disclosures, which is effective for financial periods on or after 1 October, 2006
FRS 139	Financial Instruments : Recognition and Measurement, for which MASB has yet to announce the effective date.

The impact of applying these standards on these financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors are not required to be disclosed by virtue of exemptions provided under paragraph 67B of FRS117, paragraph 22A of FRS 124 and paragraph 103AB of FRS 139.

(a) Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiary companies which are disclosed in note 7 to the financial statements made up to the end of the financial year.

All intra-group balances, transactions and resulting unrealised profits and losses (unless cost cannot be recovered) are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively. The assets and liabilities and contingent liabilities assumed of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Subsidiary Company

A subsidiary company is an enterprise in which the Group has the power to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost or revalued amount less accumulated impairment losses, if any, in the Company's financial statements. Impairment loss is determined on individual basis.

Gains or losses arising from the disposal of an investment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the investment, and is recognised in the income statement. On disposal of revalued investments, the amounts in revaluation reserve account relating to the investments disposed are transferred to retained profit account.

Investments in subsidiary companies shall be revalued at a regular interval of at least once in every 5 years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiary companies.

A surplus arising therefrom is credited to investment revaluation reserve. However, a surplus will be recognised as revenue to the extent that it reverses a revaluation deficit of the same investment previously recognised as an expense. A deficit arising therefrom is recognised as an expense. However, a deficit will be set-off against any related revaluation surplus to the extent that the deficit does not exceed the amount held in investment revaluation reserve in respect of the same investment.

On disposal of revalued investments, the amounts in revaluation reserve account relating to the investments disposed are transferred to retained earnings account.

(c) Intangible Asset**Goodwill**

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiary companies at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of interest in the subsidiary company, the related goodwill will be included in the computation of gain or loss on disposal of interest in the subsidiary company in the consolidated income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Freehold land is not depreciated and all other property, plant and equipment are depreciated on the straight line method to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:-

Leasehold land	Over the remaining lease period of 46 years
Buildings	2%
Motor vehicles	10% - 15%
Plant and machinery and lab equipment	10%
Office equipment and furniture and fittings	10%
Renovation and electrical fittings	10%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Gain or loss arising from the disposal of a property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of property, plant and equipment and is recognised in the income statement.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit and loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit and loss in the year in which they arise.

(f) Impairment of Assets

The carrying amounts of assets other than inventories, deferred tax assets, financial assets and investment property that is measured at fair value and are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost of sales and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss of a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve in respect of the same asset.

(g) Capital Work-In-Progress

Capital work-in-progress is stated at cost and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the weighted average basis or first-in-first-out basis. Cost includes the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, it also includes a portion of labour and relevant production overheads.

Net realisable value is the estimated selling price on the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Non-current Assets Held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before reclassification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

(j) Employee Benefits**i. Short Term Employee Benefits**

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

iii. Retirement Benefit Plans

The Group operates an unfunded defined benefit plans for eligible directors as provided in the services contract agreements between the companies in the CNI Group and their directors.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees would have earned in return for their service in the current and prior years, that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds.

The calculation is performed by an actuary using the projected unit credit method. In the intervening years, the calculation may be updated by the actuary based on approximations unless material changes in demographics or business processes have been identified that would cause doubt in the application of approximations, in which case detailed analysis would be necessary at the interim date. The most recent review was performed in February, 2005.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

(k) Foreign Currencies**i. Transactions in foreign currencies**

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the time of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period.

ii. Translation of foreign currency financial statements

Assets, liabilities and reserves of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange as at the financial year end. Income statements items are translated at the average rate of exchange for the year which approximate the exchange rate at the date of transaction. The translation differences arising therefrom are recorded as movement in translation reserve. Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January, 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January, 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

(l) Taxation

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

Deferred tax is provided using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

(m) Revenue Recognition

i. Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii. Rental revenue

Rental revenue from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

iii. Dividend revenue

Dividend revenue is recognised when the right to receive payment is established.

iv. Interest revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

v. Management Fees

Management fees are recognised when services are rendered.

(n) Provisions

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The increase in the provision due to the passage is recognised as finance costs.

(o) Borrowing Costs

Borrowing costs in respect of expenditure incurred on acquisition of property, plant and equipment is capitalised during the period when activities to plan, develop and construct these assets are undertaken. Capitalisation of borrowing costs ceases when these assets are ready for their intended use or sale.

All other borrowings are recognised in income statement in the period in which they are incurred.

(p) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(d).

(q) Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(s) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as expense or revenue. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, cash deposits, trade and other receivables, trade and other payables, bank borrowings, marketable securities and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments are financial guarantees given to subsidiary companies. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable.

i. Receivables

Receivables are stated at cost less allowance for doubtful debts, if any, which is the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection.

ii. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

iii. Interest Bearings Bank Borrowings

Interest bearing bank borrowings which include term loans, suppliers credit financing scheme and bank overdrafts are stated at the amount of proceeds received, net of transaction costs.

iv. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

v. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

vi. Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in income statement.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant & Machinery & Lab Equipment	Motor Vehicles	Furniture Fittings & Equipment	Total
	RM	RM	RM	RM	RM	RM
GROUP						
2006						
COST						
At 1.1.06	7,986,854	41,887,101	22,123,666	4,181,645	16,321,702	92,500,968
Additions	129,445	-	249,878	-	604,792	984,115
Disposals	-	-	(966,600)	-	(7,747)	(974,347)
Written off	-	-	(7,482)	(550)	(1,028,108)	(1,036,140)
Transfer from capital work- in-progress	-	638,141	-	-	-	638,141
Transfer to non-current assets held for sale	-	(9,357,200)	-	-	-	(9,357,200)
Translation adjustments	-	(187,600)	-	-	(12,047)	(199,647)
At 31.12.06	8,116,299	32,980,442	21,399,462	4,181,095	15,878,592	82,555,890
Accumulated Depreciation						
At 1.1.06	-	4,889,262	9,628,453	1,203,354	8,079,682	23,800,751
Charge for the year	-	839,457	1,956,540	491,110	1,334,776	4,621,883
Disposals	-	-	(871,152)	-	(12,969)	(884,121)
Written off	-	-	(7,475)	(302)	(841,539)	(849,316)
Transfer to non-current assets held for sale	-	(826,552)	-	-	-	(826,552)
Translation adjustments	-	(9,516)	-	-	(3,825)	(13,341)
At 31.12.06	-	4,892,651	10,706,366	1,694,162	8,556,125	25,849,304
Accumulated Impairment Loss						
At 1.1.06	-	2,624,820	-	-	-	2,624,820
Transfer to non-current assets held for sale	-	(2,573,230)	-	-	-	(2,573,230)
Translation adjustments	-	(51,590)	-	-	-	(51,590)
At 31.12.06	-	-	-	-	-	-
NET BOOK VALUE						
At 31.12.06	8,116,299	28,087,791	10,693,096	2,486,933	7,322,467	56,706,586

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold Land	Leasehold Land	Buildings	Plant & Machinery & Lab Equipment	Motor Vehicles	Furniture Fittings & Equipment	Total
	RM	RM	RM	RM	RM	RM	RM
GROUP							
2005							
COST							
At 1.1.05	7,986,854	179,968	35,193,744	15,730,995	3,958,870	13,944,323	76,994,754
Additions	-	-	194,292	6,434,661	1,442,669	2,464,986	10,536,608
Disposals	-	(179,968)	(120,781)	(39,800)	(1,219,894)	(72,596)	(1,633,039)
Written off	-	-	-	(2,190)	-	(29,257)	(31,447)
Transfer from capital work-in-progress	-	-	6,378,246	-	-	-	6,378,246
Translation adjustments	-	-	241,600	-	-	14,246	255,846
At 31.12.05	7,986,854	-	41,887,101	22,123,666	4,181,645	16,321,702	92,500,968
Accumulated Depreciation							
At 1.1.05	-	52,816	4,128,486	7,804,302	1,670,324	6,681,735	20,337,663
Charge for the year	-	-	781,709	1,854,174	488,416	1,456,451	4,580,750
Disposals	-	(52,816)	(32,611)	(27,833)	(955,386)	(48,114)	(1,116,760)
Written off	-	-	-	(2,190)	-	(15,325)	(17,515)
Translation adjustments	-	-	11,678	-	-	4,935	16,613
At 31.12.05	-	-	4,889,262	9,628,453	1,203,354	8,079,682	23,800,751
Impairment Loss							
Recognised during the year	-	-	2,624,820	-	-	-	2,624,820
At 31.12.05	-	-	2,624,820	-	-	-	2,624,820
NET BOOK VALUE							
At 31.12.05	7,986,854	-	34,373,019	12,495,213	2,978,291	8,242,020	66,075,397

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Air- Conditioners	Renovation	Office Equipment, Furniture & Fittings	Motor Vehicles	Electrical Installation	Computer Hardware	Total
	RM	RM	RM	RM	RM	RM	RM
COMPANY							
2006							
COST							
At 1.1.06	7,747	704	6,925	-	3,735	3,480	22,591
Additions	-	-	3,126	601,778	-	7,575	612,479
At 31.12.06	7,747	704	10,051	601,778	3,735	11,055	635,070
Accumulated Depreciation							
At 1.1.06	5,036	456	4,255	-	2,416	348	12,511
Charge for the year	775	70	772	10,030	373	657	12,677
At 31.12.06	5,811	526	5,027	10,030	2,789	1,005	25,188
NET BOOK VALUE							
At 31.12.06	1,936	178	5,024	591,748	946	10,050	609,882
2005							
COST							
At 1.1.05	7,747	704	6,479	-	3,735	-	18,665
Additions	-	-	446	-	-	3,480	3,926
At 31.12.05	7,747	704	6,925	-	3,735	3,480	22,591
Accumulated Depreciation							
At 1.1.05	4,261	386	3,562	-	2,043	-	10,252
Charge for the year	775	70	693	-	373	348	2,259
At 31.12.05	5,036	456	4,255	-	2,416	348	12,511
NET BOOK VALUE							
At 31.12.05	2,711	248	2,670	-	1,319	3,132	10,080

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in the property, plant and equipment of the Group are:-

- (a) Net book value of property, plant and equipment pledged as securities for banking facilities granted to the subsidiary companies as mentioned in notes 19 and 22 to the financial statements as follows:-

	GROUP	
	2006	2005
	RM	RM
Freehold land and buildings	24,859,416	25,223,790
Freehold land	3,495,202	3,495,202
Plant and machinery	2,731,905	1,249,071
	31,086,523	29,968,063

- (b) The freehold land of a subsidiary company, Exclusive Mark (M) Sdn. Bhd., at cost of RM3,495,202/- (2005 : RM3,495,202/-) was subject to land acquisition under the Land Acquisition Act, 1960 on the 11 October, 2001. However, the subsidiary company has applied for a judicial review at the Shah Alam High Court in relation to this land acquisition and is pending negotiation for settlement.

- (c) The freehold land of a subsidiary company, CNI Enterprise (M) Sdn. Bhd., at cost of RM4,621,097/- (2005 : RM4,491,652/-) is held under an individual title registered in the name of the developer pending transfer to the subsidiary company.

- (d) Net book value of motor vehicles acquired under hire purchase arrangements are as follows:-

	GROUP	
	2006	2005
	RM	RM
Motor vehicles	-	696,000

5. CAPITAL WORK-IN-PROGRESS

	GROUP	
	2006	2005
	RM	RM
At cost;		
At beginning of the year	391,779	2,756,160
Additions during the year	638,141	4,013,865
Transferred to property, plant and equipment	(638,141)	(6,378,246)
Impairment loss	(391,778)	-
At end of the year	1	391,779

Capital work-in-progress is in respect of acquisition of a service apartment by a subsidiary company, Exclusive Mark (M) Sdn. Bhd.. This development project was abandoned by the developer when it was 85% completed. Negotiation is in progress to allow the landowner of this development project to takeover and complete the development pending application to the High Court.

This construction in progress is charged for a term loan facility granted by a financial institution to the subsidiary company concerned as mentioned in note 24 to the financial statements.

6. INVESTMENT PROPERTIES

	GROUP/COMPANY	
	2006	2005
	RM	RM
At beginning of the year	8,448,000	8,788,000
Expenditure incurred during the year	-	153,540
Change in fair value	1,517,000	(493,540)
At end of the year	9,965,000	8,448,000

The following investment properties are held under lease terms:-

	GROUP/COMPANY	
	2006	2005
	RM	RM
Leasehold land	850,000	750,000
Leasehold shophouse	760,000	550,000
Leasehold factory and office	1,400,000	1,250,000
Leasehold shoplots	6,730,000	5,700,000
Leasehold condominium	225,000	198,000
	9,965,000	8,448,000

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

The investment properties amounting to RM4,330,000/- (2005 : RM3,500,000/-) are pledged as securities to the financial institutions for bank overdraft facilities granted to the Company.

The bank overdraft facilities are not utilised as at 31 December, 2006.

7. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2006	2005
	RM	RM
Unquoted shares		
At cost / valuation	56,784,405	56,684,405

The Directors revalued the entire investment in subsidiary companies based on the net tangible assets of the respective subsidiary company as at 31 December, 2004.

The particulars of subsidiary companies are as follow:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2006	2005
Held by the Company				
CNI Enterprise (M) Sdn. Bhd.	Malaysia	Multi-level marketing of health care and consumer products	100%	100%
Exclusive Mark (M) Sdn. Bhd.	Malaysia	Manufacturing, trading and packaging of all kinds of foodstuffs and beverages	100%	100%
Q-Pack (M) Sdn. Bhd.	Malaysia	Manufacturing, trading and packaging of household and personal care products	100%	100%
Key Elite (M) Sdn. Bhd.	Malaysia	Business of e-commerce in all kinds of commercial trading	100%	-
Held Through CNI Enterprise (M) Sdn. Bhd.				
# Creative Network International (S) Pte. Ltd.	Singapore	Multi-level marketing of health care and consumer products	100%	100%

The financial statements of this subsidiary company is audited by a member firm of Moore Stephens International.

8. INTANGIBLE ASSET

Goodwill

	GROUP	
	2006	2005
	RM	RM
At cost	123,008	123,008
Less: Impairment loss	(120,971)	-
Carrying amount	2,037	123,008

9. RECEIVABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-current				
Other receivables				
External parties	537,369	865,423	21,146	36,812
Current				
Trade receivables				
External parties	7,416,026	3,660,865	31,715	96,525
Related parties	241	63,379	-	-
	7,416,267	3,724,244	31,715	96,525
Less: Allowance for doubtful debts	(127,689)	(127,689)	(8,003)	(8,003)
	7,288,578	3,596,555	23,712	88,522
Other receivables				
Other receivables	1,716,456	1,403,600	19,416	59,262
Less: Allowance for doubtful debts	(139,467)	(242,910)	-	-
	1,576,989	1,160,690	19,416	59,262
Amount due from subsidiary companies	-	-	8,232,286	2,649,774
Deposits	607,653	802,460	35,658	39,958
Prepayments	2,794,103	3,171,737	44,944	12,928
	4,978,745	5,134,887	8,332,304	2,761,922
	12,267,323	8,731,442	8,356,016	2,850,444

The Group's and the Company's normal trade credit term extended to customers ranges from 30 to 60 days and within 30 days respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

9. RECEIVABLES (cont'd)

Included in trade receivables of the Group are amounts owing by the following:-

	<u>2006</u> RM	<u>2005</u> RM
(a) a company in which the certain directors of the Company, Dato' Koh Peng Chor and Mr. Tan Sia Swee have substantial financial interests and Mr. Tan Sia Swee is also a director		
- Master Land Investment Limited	-	60,770
(b) a company in which certain directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee, Chew Boon Swee, Cheong Chin Tai and Law Yang Ket have substantial financial interests and Messrs. Tan Sia Swee and Chew Boon Swee are also directors		
- CNI Venture Sdn. Bhd.	241	2,609
	<u>241</u>	<u>63,379</u>

Amount due from subsidiary companies are non-trade in nature, unsecured, interest free and with no fixed term of repayment except for an amount of RM6,547,188/- owing by Exclusive Mark (M) Sdn. Bhd. which bears interest at the rate of 3.75% per annum of which RM3,000,000/- is repayable in six equal monthly instalment of RM500,000/- with effect from 1 January 2007 and the balance of RM3,547,188/- is with no fixed term of repayment.

Included in other receivables of the Group and of the Company is staff car loans amounting to RM794,225/- (2005 : RM1,019,438/-) and RM40,562/- (2005 : RM52,725/-) respectively, which bears interest at rates ranging from 0.5% to 3.5% (2005 : 0.5% to 3.5%) per annum.

Included in prepayments of the Group is an amount of RM2,042,950/- (2005 : RM1,339,050/-) being expenses incurred for acquisition of computer software for the computerised operating system of the subsidiary company, CNI Enterprise (M) Sdn. Bhd..

The foreign currency exposure profile for trade receivables is as follows:-

	GROUP	
	<u>2006</u> RM	<u>2005</u> RM
United States Dollar	<u>1,347,319</u>	<u>761,808</u>

9. RECEIVABLES (cont'd)

The maturity profile and effective interest rates of the staff car loans are as follows:-

	Effective Interest Rate	Total	Maturities		
			Within 1 year	1-5 years	After 5 years
	%	RM	RM	RM	RM
GROUP					
2006					
Financial Assets					
Staff car loans	0.50 - 3.50	794,225	256,856	502,537	34,832
2005					
Financial Assets					
Staff car loans	0.50 - 3.50	1,019,438	154,015	589,219	276,204
COMPANY					
2006					
Financial Assets					
Staff car loans	0.50 - 3.50	40,562	19,416	21,146	-
2005					
Financial Assets					
Staff car loans	0.50 - 3.50	52,725	15,913	36,812	-

10. DEFERRED TAX ASSETS / (LIABILITIES)

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deferred tax assets				
At beginning of the year	2,609,500	2,691,000	324,000	-
Transfer (to)/from income statements (note 30)	(697,100)	(81,500)	(324,000)	324,000
At end of the year	1,912,400	2,609,500	-	324,000
Deferred tax liabilities				
At beginning of the year	(1,440,200)	(765,200)	-	-
Transfer to/(from) income statements (note 30)	51,700	(675,000)	(25,000)	-
At end of the year	(1,388,500)	(1,440,200)	(25,000)	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

10. DEFERRED TAX ASSETS (LIABILITIES) (cont'd)

This is in respect of estimated deferred tax assets/(liabilities) arising from the following temporary differences:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deferred tax assets				
Differences between the carrying amounts of property, plant and equipment and their tax bases	(987,500)	(805,810)	-	(1,110)
Change in fair value of investment properties	-	138,210	-	138,210
Retirement benefits	2,226,900	2,483,000	-	188,600
Provision for employee benefits	43,300	52,000	-	-
Unrealised loss/(gain) on foreign exchange	60,700	9,300	-	(1,700)
Unrealised profits on inventories	569,000	732,800	-	-
	1,912,400	2,609,500	-	324,000
Deferred tax liabilities				
Differences between the carrying amounts of property, plant and equipment and their tax bases	(1,745,880)	(1,801,200)	(5,180)	-
Change in fair value of investment properties	(394,420)	-	(394,420)	-
Retirement benefits	742,700	361,000	365,500	-
Unabsorbed capital allowance	4,800	-	4,800	-
Provision for employee benefits	4,300	-	4,300	-
	(1,388,500)	(1,440,200)	(25,000)	-

The estimated amount of temporary differences for which no deferred tax assets is recognised in the financial statements are as follows:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Unabsorbed capital allowances	(117,147)	(52,550)	-	-
Unutilised tax losses	(867,900)	(913,900)	-	-
	(985,047)	(966,450)	-	-

The estimated unabsorbed capital allowances and unutilised tax losses are subject to agreement by the Inland Revenue Board.

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the foreign subsidiary company is subject to no substantial changes in its shareholders under Section 37(12) and 37(14) of the Singapore Income Tax Act.

11. INVENTORIES

	GROUP	
	2006	2005
	RM	RM
At cost;		
Raw materials	4,830,250	5,906,890
Work-in-progress	109,036	538,144
Packaging materials	2,498,937	2,261,154
Merchandised goods	13,463,079	15,557,257
Finished goods	964,912	1,564,684
Sales aid items	1,517,108	2,089,241
	23,383,322	27,917,370
Less : Amount written off	(544,112)	-
	22,839,210	27,917,370

12. TAX ASSETS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Tax paid in advance	1,450,533	1,614,511	73,546	-
Tax recoverable	853,708	194,475	194,470	194,470
	2,304,241	1,808,986	268,016	194,470

13. INVESTMENTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Marketable securities				
At cost,				
Shares quoted in Malaysia	358,425	-	-	-
Unit trusts quoted in Malaysia	14,689,368	-	2,036,039	-
	15,047,793	-	2,036,039	-
Market value	16,746,084	-	2,036,039	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

14. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash at banks and in hand	3,581,114	777,115	439,336	103,294
Cash deposits with licensed banks	14,286,404	8,308,130	-	1,000,000
	17,867,518	9,085,245	439,336	1,103,294

The cash deposits with licensed banks of the Group and of the Company bear effective interest at the rate of 1.70% to 3.70% (2005 : 1.70% to 3.70%) per annum and 2.40% (2005 : 2.40%) per annum respectively and will mature within one year.

The foreign currency exposure profile is as follows:-

	GROUP	
	2006 RM	2005 RM
United States Dollar	1,641,547	667
Sterling Pound	81	81
Euro	4,537	4,537
Singapore Dollar	8,730	1,027
Brunei Dollar	12,235	8,797
	1,667,130	15,109

15. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	2006 RM	2005 RM
Leasehold building		
Transferred from property, plant and equipment	5,957,418	-
Less: Impairment loss	(686,314)	-
Translation adjustments	(12,334)	-
At end of the year	5,258,770	-

The above relates to a subsidiary company, Creative Network International (S) Pte. Ltd., which has entered into an option to sell the property subsequent to the financial year end (note 42).

Included in the impairment loss is transaction costs of RM119,473/- incurred on the sale of the leasehold building.

16. SHARE CAPITAL

	GROUP/COMPANY	
	2006	2005
	RM	RM
Authorised:		
At beginning of the year		
1,000,000,000 ordinary shares of RM0.10 each	100,000,000	-
5,000,000 ordinary shares of RM1/- each	-	5,000,000
950,000,000 ordinary shares of RM0.10 each are created during the year	-	95,000,000
At end of the year		
1,000,000,000 ordinary shares of RM0.10 each	100,000,000	100,000,000
Issued and fully paid:		
At beginning of the year		
600,000,000 ordinary shares of RM0.10 each	60,000,000	-
2,697,000 ordinary shares of RM1/- each	-	2,697,000
Bonus issue of 57,303 for every 2,697 ordinary shares of RM0.10 each resulting in the issuance of 573,030,000 ordinary shares of RM0.10 each	-	57,303,000
Bonus issue of 1 new share for every 5 existing RM0.10 each resulting in the issuance of 120,000,000 ordinary shares of RM0.10 each	12,000,000	-
At end of the year		
720,000,000 ordinary shares of RM0.10 each	72,000,000	-
600,000,000 ordinary shares of RM0.10 each	-	60,000,000

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

17. RESERVES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
DISTRIBUTABLE				
Retained earnings	21,985,006	22,285,935	4,069,795	7,812,711
NON-DISTRIBUTABLE				
Reserve on consolidation	-	693,674	-	-
Translation reserve	8,749	(126,952)	-	-
	8,749	566,722	-	-
Treasury shares	(527,113)	-	(527,113)	-
	21,466,642	22,852,657	3,542,682	7,812,711

Treasury Shares

During the financial year, the Company repurchased a total of 1,119,300 of its issued and fully paid-up ordinary shares from the open market at an average price of RM0.471 per share. The total consideration paid for the repurchased shares including transaction cost was RM527,113/-. The repurchased transactions were financed by internally generated funds. The share repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The details of repurchase of treasury shares during the financial year are as follows:-

Month	No. of shares repurchased	Price per share			Total Consideration
		Highest	Lowest	Average	
		RM	RM	RM	RM
1 September 2006	141,200	0.495	0.485	0.490	69,531
1 October 2006	606,500	0.470	0.455	0.462	283,451
1 December 2006	371,600	0.450	0.480	0.465	174,131
		1,119,300			527,113

There were no resale, cancellation or distribution of treasury shares during the financial year.

18. RETIREMENT BENEFITS

The movements in the net liabilities recognised in the balance sheets are as follows:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
At beginning of the year	10,157,359	8,988,201	673,636	-
Expenses recognised in the income statements	1,264,315	1,169,158	732,004	673,636
At end of the year	11,421,674	10,157,359	1,405,640	673,636

The liabilities for defined benefit obligations recognised in the balance sheets are analysed as follows:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Present value of unfunded obligations	11,421,674	10,157,359	1,405,640	673,636

The expenses recognised in the income statements are analysed as follows:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Current service cost	706,142	670,969	408,543	386,904
Interest cost	558,173	498,189	323,461	286,732
	1,264,315	1,169,158	732,004	673,636

Principal actuarial assumptions used at the balance sheet dates are as follow:-

	GROUP / COMPANY	
	2006	2005
	RM	RM
Discount rate	5.5%	5.5%
Expected rate of salary increases	5.0%	5.0%

19. OTHER BORROWINGS

	Note	Current	Non-current		Total	Total Borrowings
		Within	1-5 years	After		
		1 year		5 years		
		RM	RM	RM	RM	RM
GROUP						
2006						
Secured						
Term loan	24	-	195,217	-	195,217	195,217
Bankers' acceptance	25	464,000	-	-	-	464,000
Hire purchase liabilities	26	5,013	19,348	-	19,348	24,361
		469,013	214,565	-	214,565	683,578
2005						
Secured						
Term loans	24	254,369	1,282,982	3,531,770	4,814,752	5,069,121
Bankers' acceptance	25	680,000	-	-	-	680,000
Hire purchase liabilities	26	111,889	9,386	-	9,386	121,275
		1,046,258	1,292,368	3,531,770	4,824,138	5,870,396

20. PROVISION

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
At beginning of the year	185,369	191,350	-	-
Additions	182,438	185,369	16,644	-
Incurred	(185,369)	(191,350)	-	-
At end of the year	182,438	185,369	16,644	-

This is in respect of provision for short term accumulating compensated absences for Directors and employees of the Group and the Company.

The provision is made based on the number of days of outstanding compensated absences of each employee multiplied by their respective salary/wages as at year end.

21. PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current				
Trade payables				
Third parties	6,162,103	4,710,973	-	-
Related parties	-	316,258	-	-
	6,162,103	5,027,231	-	-
Other payables				
Other payables	2,433,509	2,107,650	133,826	298,775
Deposits	4,893,564	5,036,794	174,744	259,536
Accruals	10,124,890	11,061,908	1,191,620	251,136
	17,451,963	18,206,352	1,500,190	809,447
	23,614,066	23,233,583	1,500,190	809,447

The normal trade credit term granted by the trade creditors to the Group ranges from 30 to 90 days. Included in trade payables are:-

	GROUP	
	2006 RM	2005 RM
Amount owing to a company in which certain directors of the Company, Dato' Koh Peng Chor and Mr. Tan Sia Swee have substantial financial interests and Mr. Tan Sia Swee is also a director		
- Master Land Investment Limited	-	316,258

The foreign currency exposure profile for trade payables is as follows:-

	GROUP	
	2006 RM	2005 RM
United States Dollar	99,941	350,876
Hong Kong Dollar	-	316,258
	99,941	667,134

Included in other payables of the Group are balances amounting to RM82,389/- (2005 : RM198,325/-) owing to Citra Nusa Insan Cemerlang Investment Co., a company in which certain directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee and Chew Boon Swee have substantial financial interests.

The foreign currency exposure profile for other payables is as follows:-

	GROUP	
	2006 RM	2005 RM
United States Dollar	228,365	91,200

22. BANK OVERDRAFTS - SECURED

	GROUP	
	2006	2005
	RM	RM
Bank overdrafts	1,396,877	1,969,855

The bank overdraft facilities granted to subsidiary companies are secured and supported as follow:-

- (i) first legal charge pending issuance of individual title where applicable over the freehold land and building of the subsidiary company concerned;
- (ii) letter of negative pledge of the subsidiary company concerned;
- (iii) corporate guarantee by the Company;
- (iv) joint and several guarantee by certain directors of the Company; and
- (v) facility agreement stamped for as Principal Instrument.

The effective interest rates range from 8.00% to 8.50% (2005 : 7.50% to 8.00%) per annum and are repayable within one year.

23. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	GROUP	
	2006	2005
	RM	RM
Loan repayable in monthly instalments over 15 years at fixed interest rate at 3.50% per annum for first year, 3.75% per annum for second year and 4.00% per annum thereafter	4,549,482	-

The above relates to a subsidiary company, Creative Network International (S) Pte. Ltd., which has entered into an option to sell the non-current assets held for sale subsequent to the financial year end (Note 42).

This loan is secured as follows:-

- (i) Legal charge over the leasehold building of the subsidiary company concerned; and
- (ii) Corporate guarantee by a subsidiary company, CNI Enterprise (M) Sdn. Bhd.

This loan matures within 1 year and the effective interest rate is 3.80% per annum.

24. TERM LOANS - SECURED

	GROUP	
	2006	2005
	RM	RM
Term loan I		
Repayable in equal monthly instalments over 15 years commencing upon full draw down at interest rate of 12.75% per annum (original), 8.5% per annum (revised)	195,217	195,217
Term loan II		
Repayable in monthly instalments over 15 years at fixed interest rate at 3.50% per annum for first year, 3.75% per annum for second year and 4.00% per annum thereafter	4,549,482	4,873,904
	4,744,699	5,069,121
Less: Transfer to liabilities directly associated with assets classified as held for sale (Note 23)	(4,549,482)	-
	195,217	5,069,121

The term loan I of a subsidiary company, Exclusive Mark (M) Sdn. Bhd., is secured as follows:-

- (i) deed of assignment and private caveat on the property under construction being financed for term loan I; and
- (ii) Joint and several guarantees by certain directors of the Company, Dato' Koh Peng Chor and Mr. Chew Boon Swee.

The term loan II of a subsidiary company, Creative Network International (S) Pte. Ltd., is secured as follows:-

- (i) Legal charge over the leasehold building of the subsidiary company concerned; and
- (ii) Corporate guarantee by a subsidiary company, CNI Enterprise (M) Sdn. Bhd.

The maturity profile and effective interest rates are as follows:-

	Effective Interest Rate	Total	Maturities		
			Within 1 year	1-5 years	After 5 years
	%	RM	RM	RM	RM
GROUP					
2006					
Financial Liability					
Term loan	8.50	195,217	-	195,217	-
2005					
Financial Liabilities					
Term loans	3.50 - 8.50	5,069,121	254,369	1,282,982	3,531,770

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

25. BANKERS' ACCEPTANCE

The bankers' acceptance granted to a subsidiary company, Exclusive Mark (M) Sdn. Bhd. are secured and supported as follow:-

- (i) facility agreement stamped for as Principal Instrument;
- (ii) legal charges but pending issuance of individual title(s), Deed/Supplemental Deed of Assignments over an industrial land located at Lot No. 172, Jalan Pemaju, U1/15, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan as subsidiary instruments;
- (iii) letter of negative pledge;
- (iv) corporate guarantees given by the Company; and
- (v) joint and several guarantee by certain directors of the Company, Dato' Koh Peng Chor and Mr. Chew Boon Swee.

The effective interest rate for bankers' acceptance is 8.00% (2005 : 7.55%) per annum and is repayable within one year.

The foreign currency exposure profile for bankers' acceptance is as follows:-

	GROUP	
	2006	2005
	RM	RM
United States Dollar	464,000	680,000

26. HIRE PURCHASE LIABILITIES

	GROUP	
	2006	2005
	RM	RM
Gross instalment payments	29,905	125,287
Less: Future finance charges	(5,544)	(4,012)
Total present value of hire purchase liabilities	24,361	121,275
Payable within one year		
Gross instalment payments	7,380	113,807
Less: Future finance charges	(2,367)	(1,918)
Present value of hire purchase liabilities	5,013	111,889
Payable after one year but not later than five years		
Gross instalment payments	22,525	11,480
Less: Future finance charges	(3,177)	(2,094)
Present value of hire purchase liabilities	19,348	9,386
Total present value of hire purchase liabilities	24,361	121,275

The hire purchase liabilities of the Group bear effective interest rates of 2.75% to 7.50% (2005 : 2.75% to 7.50%) per annum.

27. OPERATING REVENUE

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Sales of goods	203,525,570	233,829,215	-	-
Management fees	-	-	6,013,937	7,010,192
Rental revenue from investment properties	480,017	394,089	480,017	394,089
Dividend revenue	-	-	30,947,207	17,713,530
	204,005,587	234,223,304	37,441,161	25,117,811

28. DIRECT OPERATING COSTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cost of sales	64,239,756	73,092,231	-	-
Operating expenses of investment properties - income generating	100,965	131,506	100,965	131,506
	64,340,721	73,223,737	100,965	131,506

29. PROFIT BEFORE TAXATION

(a) Profit before taxation is arrived at after charging/(crediting):-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration				
- statutory audits	151,735	148,136	8,000	8,000
- other services	8,000	8,000	8,000	8,000
Bad debts written off	31,030	99,728	-	-
Depreciation of property, plant and equipment	4,621,883	4,580,750	12,677	2,259
Employee benefits expense	182,438	185,369	16,644	-
Allowance for doubtful debts	-	182,463	-	8,003
Impairment loss on non-current assets held for sale	686,314	2,624,820	-	-
Allowance for doubtful debts no longer required	-	(2,739)	-	-
Impairment loss on capital work-in-progress	391,778	-	-	-
Rental of equipment	150	2,480	-	-
Property, plant and equipment written off	186,824	13,932	-	-
Rental of premises	1,637,151	1,346,994	24,000	20,000
Interest expenses	44,919	135,818	85	18
Inventories written off	544,112	-	-	-
Impairment losses on goodwill	120,971	-	-	-
Gain on disposal of property, plant and equipment	(79,194)	(274,479)	-	-
Investment income	(228,819)	-	(36,039)	-
Change in fair value of investment properties	(1,517,000)	493,540	(1,517,000)	493,540
Rental revenue	(1,075,749)	(811,111)	-	-
(Gain)/Loss on foreign exchange				
- realised	55,842	(113,633)	(57)	1,533
- unrealised	(11,034)	30,680	-	(6,135)
Interest revenue	(389,534)	(390,867)	(182,197)	(4,667)

29. PROFIT BEFORE TAXATION (cont'd)

(b) Directors' remuneration

The Directors of the Company in office since the date of last report are as follows:-

Executive Directors

Dato' Koh Peng Chor

Tan Sia Swee

Chew Boon Swee

Cheong Chin Tai

Law Yang Ket

Independent Non-Executive Directors

Thiang Kai Goh

Zulkifli Bin Mohamad Razali

Aggie Chew Poh Lian

The aggregate amount of emoluments receivable by Directors of the Company during the financial year are as follows:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Executive Directors				
- fees	312,000	312,000	120,000	120,000
- emoluments	6,320,818	5,966,115	2,949,831	2,856,020
- retirement benefits	1,264,315	1,169,158	732,004	673,636
- profit sharing	1,234,134	-	1,069,411	-
Independent Non-executive Directors				
- fees	108,000	72,000	108,000	72,000
- emoluments	16,000	6,000	16,000	6,000

(c) Staff costs

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Staff costs	28,379,676	26,383,956	6,224,320	4,476,967
Included in staff costs are:-				
Wages and salaries	14,635,198	12,953,551	1,147,078	804,042
Social security contributions and contributions to defined contribution plan	1,745,400	1,575,415	143,615	102,606
Directors' remuneration				
- emoluments	6,336,818	5,972,115	2,965,831	2,862,020
- other benefits	2,498,449	1,169,158	1,801,415	673,636

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

30. TAXATION

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Based on results for the year	9,224,581	11,446,612	8,648,000	5,596,500
Origination/(Reversal) of temporary differences (note 10)	645,400	756,500	349,00	(324,000)
	9,869,981	12,203,112	8,997,000	5,272,500
Real property gain tax	-	7,805	-	-
Overprovision in prior year	(259,855)	(414,808)	(3,992)	(146,727)
Tax expense	9,610,126	11,796,109	8,993,008	5,125,773

Subject to agreement by the Inland Revenue Board:-

- (i) the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained earnings as at 31 December, 2006; and
- (ii) the Group has unutilised tax losses and unabsorbed capital allowances of RM855,400/- (2005: RM485,000/-) and RM2,200/- (2005 : RM52,550/-) respectively.

The reconciliation from the tax amount at statutory tax rate to the Group's and the Company's tax expenses are as follows:-

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Accounting profit before taxation	34,969,207	42,041,641	31,594,776	17,871,112
Tax at the Malaysia statutory income tax rate of 28%	9,791,400	11,771,600	8,846,500	5,003,900
Effect of lower tax rate for Malaysian subsidiary companies with issued and paid-up share capital of RM2.5 million and below	(40,000)	(40,000)	-	-
Effect of different tax rates in foreign jurisdiction	74,100	240,562	-	-
Tax effects arising from:-				
- depreciation of non-qualifying property, plant and equipment	213,900	233,400	2,800	40
- non-deductible expenses	815,127	1,242,050	134,800	335,560
- double deduction expenses	(152,600)	(178,000)	-	-
- non-taxable revenue	(33,900)	(25,000)	(10,100)	-
Balance carried down	10,668,027	13,244,612	8,974,000	5,339,500

30. TAXATION (cont'd)

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Balance brought down	10,668,027	13,244,612	8,974,000	5,339,500
Utilisation of deferred tax assets previously not recognised in the financial statements	(5,336)	(67,000)	-	(67,000)
Reinvestment allowance claimed under Schedule 7A of the Income Tax Act, 1967 in respect of qualifying property, plant and equipment utilised to set off against taxable profit for the year	(837,600)	(995,500)	-	-
Reduction in opening deferred tax assets resulting from reduction in tax rate	31,100	-	23,000	-
Real Property Gain Tax	-	7,805	-	-
(Over)/Underprovision in prior year				
- income tax	(259,855)	(414,808)	(3,992)	(146,727)
- deferred tax	4,000	-	-	-
Deferred tax assets not recognised during the year	9,790	21,000	-	-
Tax expense	9,610,126	11,796,109	8,993,008	5,125,773

31. EARNINGS PER SHARE

The basic earning per share of the Group is calculated by dividing the Group's profit for the year of RM25,359,081/- by the weighted average number of ordinary share in issue during the year of 719,782,339 ordinary shares of RM0.10 each after retrospective adjustment for bonus issue during the year and after deducting the weighted average number of shares repurchased.

The basic earning per share of the Group in previous year was calculated by dividing the Group's profit for the year of RM30,245,532/- by the weighted average number of ordinary share in issue during the year of 720,000,000 ordinary shares of RM0.10 each after adjustment for bonus issue during the year.

32. DIVIDEND

	2006	COMPANY 2005
	RM	RM
Paid		
Interim dividend of RM0.025 per share less 28% tax based on 600,000,000 ordinary shares of RM0.10 each in respect of the financial year ended 31 December, 2005	-	10,800,000
Second interim dividend of RM0.015 per share less 28% tax based on 600,000,000 ordinary shares of RM0.10 each in respect of the financial year ended 31 December, 2005	6,480,000	-
Payable		
Interim dividend of RM0.015 per share less 27% tax based on 719,058,200 ordinary shares of RM0.10 each in respect of the financial year ended 31 December, 2006	7,873,684	-
	14,353,684	10,800,000
DIVIDEND PER SHARE (SEN)	2.18	1.80

Subsequent to the financial year, the Directors declared a second interim dividend of RM0.015 per share less 27% tax based on 718,817,700 ordinary shares of RM0.10 each amounting to RM7,871,051/- payable on 13 April, 2007 in respect of the current financial year.

33. ACQUISITION OF SUBSIDIARY COMPANY

On 3 August, 2006, the Company acquired 2 ordinary shares of RM1/- each representing 100% of the issued and fully paid up share capital of Key Elite Sdn. Bhd., a company incorporated in Malaysia for a total consideration of RM2/-.

(i) Effect of Consolidated Cash Flow Statements

The fair value of the net asset acquired at the effective date of acquisition is as follows:-

	GROUP RM
Total purchase consideration	2
Cash balances of a subsidiary company acquired	(2)
Cash flow on acquisition, net of cash acquired	-

33. ACQUISITION OF SUBSIDIARY COMPANY (cont'd)

(ii) Effect on Consolidated Income Statement

The effect on the consolidated results of the Group for the current period from the date of acquisition is as follows:-

	GROUP RM
Operating revenue	14,677
Direct operating costs	(14,378)
Gross profit	299
Administrative costs	(3,996)
Loss attributable to shareholders	(3,697)

(iii) Effect of Consolidated Financial Position

The effect on the Consolidated Financial Position of the Group as at financial year end are as follows:-

	GROUP RM
Property, plant and equipment	3,475
Trade and other receivables	6,278
Cash and bank balances	107,665
Trade and other payables	(14,903)
Amount owing to holding company	(6,212)
	96,303

34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM984,115/- and RM612,479/- (2005 : RM10,536,608/- and RM3,926/-) respectively of which RM16,000 and RM Nil (2005 : RM657,350 and RM Nil) were acquired by means of hire purchase. Cash payments of RM968,115/- and RM612,479/- (2005 : RM9,879,258/- and RM3,926/-) respectively were made to purchase property, plant and equipment.

35. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash at bank and in hand	3,581,114	777,115	439,336	103,294
Cash deposits with licensed banks	14,286,404	8,308,130	-	1,000,000
Bank overdrafts	(1,396,877)	(1,969,855)	-	-
	16,470,641	7,115,390	439,336	1,103,294

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

36. CONTINGENT LIABILITIES - UNSECURED

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
(i) In respect of corporate guarantee by the Company for credit facilities granted to a subsidiary company, CNI Enterprise (M) Sdn. Bhd., by licensed banks				
- amount approved RM3,600,000/- (2005 : RM3,600,000/-)				
- outstanding amount	-	-	1,132,816	1,069,562
(ii) In respect of corporate guarantee by the Company for hire purchase facilities granted to a subsidiary company, CNI Enterprise (M) Sdn. Bhd., by licensed banks				
- amount approved Nil (2005 : RM645,000/-)				
- outstanding amount	-	-	-	109,915
(iii) Additional tax liabilities imposed by Inland Revenue Board ("IRB") for Year of Assessment 1996 - 2000 (CYB) not accounted for in the financial statements pending appeal by the subsidiary company to the IRB	652,393	652,393	-	-
(iv) Legal action taken by an ex-employee against a subsidiary company for alleged constructive dismissal	-	- *	-	-
(v) Special damage claim taken by a former distributor and sale point operator of a subsidiary company for alleged wrongful termination	16,238,812 #	16,238,812 #	-	-

* In previous year, the legal action taken by an ex-employee against the subsidiary company for alleged constructive dismissal was resolved with compensation payment amounting to RM380,000/- to the plaintiff.

The claimant is suing for special damage claim due to alleged wrongful termination of his distributorship and sale point operator of a subsidiary company. No provision has been made pending the outcome of the legal litigation.

37. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
In respect of capital expenditure approved and contracted for:-				
- purchase of property, plant and equipment	-	1,181,006	-	-
- acquisition of service apartment	35,774	35,774	-	-
- acquisition of computer software	470,050	-	-	-
	505,824	1,216,780	-	-
In respect of capital expenditure approved and not contracted for:-				
- purchase of property, plant and equipment	2,065,676	-	1,350,760	-
- acquisition of computer software	5,038,975	-	-	-
- construction of coffee kiosk	1,500,000	-	1,500,000	-
	8,604,651	-	2,850,760	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

38. MATERIAL LITIGATIONS

- (i) As mentioned in note 4(b) to the financial statements, the freehold land of the subsidiary company, Exclusive Mark (M) Sdn. Bhd., was subject to land acquisition under the Land Acquisition Act, 1960.

The subsidiary company has applied for a judicial review at the Shah Alam High Court in relation to this land acquisition and is pending negotiation for settlement.

On 17 April, 2006, an application for amendment to the 0.53 Rule 3(2) Statement had been made by Exclusive Mark (M) Sdn. Bhd. and was heard on 20 March, 2007. The respondents, Pengarah Tanah dan Galian Negeri Selangor, Pentadbir Tanah Daerah Petaling and Titular Roman Catholic Archbishop of Kuala Lumpur have no objection to the application and accordingly the order was granted. The case has now been fixed for mention on 5 July, 2007 pending settlement.

The subsidiary company's legal proceedings against Titular Roman Catholic Archbishop of Kuala Lumpur ("the Defendant") for trespass on the said land and commencement of construction on the land has been fixed for mention on 5 July, 2007 pending settlement.

- (ii) A suit was filed at the Kota Bahru High Court against a subsidiary company, CNI Enterprise (M) Sdn. Bhd. by Mohammad Zamri Bin Wan Chik ("Zamri") on 5 February, 2005 for alleged wrongful termination as CNI Enterprise (M) Sdn. Bhd.'s distributor and sale point operator. Zamri is seeking a declaration that the said termination is null and void and is claiming for special damages amounting to RM16,238,812/- general damages and exemplary damages from CNI Enterprise (M) Sdn. Bhd.. Zamri's application for an interlocutory injunction against CNI Enterprise (M) Sdn. Bhd. to prohibit CNI Enterprise (M) Sdn. Bhd. from terminating his appointment was heard on 1 March, 2005 and dismissed with costs.

Zamri's application to amend the Writ and Statement of claim was heard on 16 January, 2006 and order was granted with costs to be borne by Zamri.

CNI Enterprise (M) Sdn. Bhd. has filed an inter-partes application for an injunction against Zamri to, inter alia, restrain him from selling CNI Enterprise (M) Sdn. Bhd.'s products. The court has on 18 July, 2006 granted the order for the said injunction against the Zamri on condition that a sum of RM250,000/- be deposited with the court to fortify CNI Enterprise (M) Sdn. Bhd. undertaking as to damages. CNI Enterprise (M) Sdn. Bhd. has since deposited the said amount with the court on 25 July, 2006. The case management is fixed to be heard on 4 July, 2007.

On 26 February, 2007, CNI Enterprise (M) Sdn. Bhd. has filed an application to strike out frivolous portion of Zamri's Statement of Claim and the matter is fixed to be heard on 14 May, 2007.

39. SIGNIFICANT RELATED PARTIES TRANSACTIONS

(a) Transactions with subsidiary companies.

	COMPANY	
	2006	2005
	RM	RM
CNI Enterprise (M) Sdn. Bhd.		
- Management fee revenue received and receivable	(4,594,262)	(5,319,095)
- Purchases paid and payable	-	53,481
- Dividend revenue (gross) received and receivable	(26,640,000)	(14,040,000)
Exclusive Mark (M) Sdn. Bhd.		
- Dividend revenue (gross) received and receivable	(3,857,207)	(3,673,530)
- Management fee revenue received and receivable	(842,939)	(1,133,051)
- Interest revenue received and receivable	(136,852)	-
Q-Pack (M) Sdn. Bhd.		
- Dividend revenue (gross) received and receivable	(450,000)	-
- Management fee revenue received and receivable	(375,046)	(343,387)
Creative Network International (S) Pte. Ltd.		
- Management fee revenue received and receivable	(201,690)	(214,659)
CNI Enterprise (M) Sdn. Bhd.		
- Rental of premises paid and payable	24,000	20,000
- Purchase of property, plant and equipment	601,778	-

The above transactions are entered in the normal course of business under terms mutually agreed between the parties involved.

(b) Significant transactions with companies in which the Directors of the Company, Dato' Koh Peng Chor and Mr. Tan Sia Swee have substantial financial interests and Mr. Tan Sia Swee is also a director are as follows:-

	GROUP	
	2006	2005
	RM	RM
Sales received and receivable from		
- Master Land Investment Limited	-	(458,597)
Purchases paid and payable to		
- Master Land Investment Limited	1,527,544	8,149,567
Purchases paid and payable to		
- CNI Health Products (Shandong) Ltd.	440,088	455,055

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

- (c) Significant transaction with a company in which the Directors of the Company, Dato' Koh Peng Chor and Mr. Tan Sia Swee have substantial financial interests and Dato' Koh Peng Chor is also a director is as follows:-

	GROUP	
	2006	2005
	RM	RM
Rental revenue received and receivable from		
- Cameron Heights Sdn. Bhd.	(1,000)	(12,000)

- (d) Significant transaction with a company in which the Director of the Company, Dato' Koh Peng Chor has substantial financial interest and is also a director is as follows:-

	GROUP	
	2006	2005
	RM	RM
Rental charge paid and payable to PC Marketing Sdn. Bhd.	84,000	78,000

- (e) Significant transaction with a company in which the Directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee, Chew Boon Swee, Cheong Chin Tai and Law Yang Ket have substantial financial interest and Cheong Chin Tai is also a director is as follows:-

	GROUP	
	2006	2005
	RM	RM
Sales received and receivable from		
- CNI Enterprise (India) Pvt. Ltd.	(145,638)	(127,551)

- (f) Significant transactions with a company in which the Directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee, Chew Boon Swee, Cheong Chin Tai and Law Yang Ket have substantial financial interests and are also directors are as follows:-

	GROUP	
	2006	2005
	RM	RM
Sales received and receivable from		
- CNI Corporation Sdn. Bhd.	(2,653)	-
Rental revenue received and receivable from		
- CNI Corporation Sdn. Bhd.	(916,569)	(396,000)
Management fee paid and payable to		
- CNI Corporation Sdn. Bhd.	600,510	684,269

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

- (g) Significant transactions with a company in which the Directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee, Chew Boon Swee, Cheong Chin Tai and Law Yang Ket have substantial financial interests and Mr. Tan Sia Swee is also directors are as follows:-

	GROUP	
	2006	2005
	RM	RM
Rental revenue received and receivable from		
- Global Business Network Sdn. Bhd.	(14,400)	(14,400)
Sales received and receivable from		
- CNI Hong Kong Limited	(976,370)	-

- (h) Significant transactions with a company in which the Directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee, Chew Boon Swee, Cheong Chin Tai and Law Yang Ket have substantial financial interests and Messrs. Tan Sia Swee and Chew Boon Swee are also directors are as follows:-

	GROUP	
	2006	2005
	RM	RM
Rental revenue received and receivable from		
- CNI Venture Sdn. Bhd.	(116,400)	(109,200)
Research and development expenditure paid and payable to		
- CNI Venture Sdn. Bhd.	511,553	620,295

- (i) Significant transaction with a company in which the certain Directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee and Chew Boon Swee have substantial financial interests is as follows:-

	GROUP	
	2006	2005
	RM	RM
Patent fee paid and payable to		
- Citra Nusa Insan Cemerlang Investment Co.	89,835	142,738

- (j) Significant transaction with a company in which the certain Directors of the Company, Dato' Koh Peng Chor and Mr. Tan Sia Swee have substantial financial interests is as follows:-

	GROUP	
	2006	2005
	RM	RM
Trademark fee paid and payable to		
- CNI IPHC	220,889	252,190

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

- (k) Significant transaction with a company in which the Directors of the Company, Dato' Koh Peng Chor, Messrs. Tan Sia Swee, Chew Boon Swee, Cheong Chin Tai and Law Yang Ket have substantial financial interest is as follows:-

	GROUP	
	2006	2005
	RM	RM
Sales received and receivable from		
- Leader Regent Ltd.	(5,385,102)	(6,529,679)

- (l) Significant transaction with a company in which a Director of the Company, Dato' Koh Peng Chor has substantial financial interests and Mr. Chew Boon Swee is also a director is as follows:-

	GROUP	
	2006	2005
	RM	RM
Sales received and receivable from		
- CNI Food Products Co. Ltd.	(110,409)	-

The above transactions are entered in the ordinary course of business and have been established under terms mutually agreed between the parties concerned.

40. SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets and liabilities do not include tax assets and tax liabilities respectively.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one accounting period.

Primary Reporting Format - Business Segments

The Group comprises the following main business segments:-

Investment holding	Investment in shares and investment and renting out of properties
Manufacturing	Manufacturing, trading and packaging of consumer, health and personal care products
Marketing	Multilevel marketing of health care and consumer products

Secondary Reporting Format - Geographical Segments

The businesses of the Group are solely operated in Malaysia except for the multi-level marketing of health care and consumer products in Singapore.

40. SEGMENT ANALYSIS (cont'd)

(a) Primary Reporting Format - Major Business Segments

	Investment Holding	Manufacturing	Marketing	Elimination	Consolidated
	RM	RM	RM	RM	RM
2006					
Revenue					
External revenue	480,017	14,102,430	189,423,140	-	204,005,587
Inter segment revenue	6,013,937	34,616,955	2,429,162	(43,060,054)	-
Total revenue	6,493,954	48,719,385	191,852,302	(43,060,054)	204,005,587
Result					
Segment result	465,457	6,015,557	27,838,405	305,173	34,624,592
Interest expenses					(44,919)
Interest revenue					389,534
Taxation					(9,610,126)
Profit from ordinary activities					25,359,081
Assets					
Segment assets	86,095,824	39,082,145	84,803,695	(89,035,231)	120,946,433
Tax assets					2,304,241
Deferred tax assets					1,912,400
Cash deposits with licensed banks					14,286,404
Non-current assets held for sale					5,258,770
					144,708,248
Liabilities					
Segment liabilities	10,796,158	11,480,240	31,284,305	(10,468,841)	43,091,862
Interest bearing liabilities					2,080,455
Taxation					131,307
Deferred tax liabilities					1,388,500
Liabilities directly associated with assets classified as held for sale					4,549,482
					51,241,606
Capital expenditure	612,479	323,667	680,450	(632,481)	984,115
Depreciation of property, plant and equipment	12,677	2,500,816	2,070,516	37,874	4,621,883

40. SEGMENT ANALYSIS (cont'd)

(a) Primary Reporting Format - Major Business Segments (cont'd)

	Investment Holding	Manufacturing	Marketing	Elimination	Consolidated
	RM	RM	RM	RM	RM
2006					
Non-cash expenses other than depreciation					
Bad debt written off					31,030
Impairment loss on goodwill					120,971
Impairment loss on capital work-in-progress					391,778
Retirement benefits expense					1,264,315
Employee benefits expense					182,438
Inventories written off					544,112
Impairment loss on non-current assets held for sale					686,314
Property, plant and equipment written off					186,824
2005					
Revenue					
External revenue	394,089	14,424,729	219,404,486	-	234,223,304
Inter segment revenue	7,010,192	44,632,794	2,382,421	(54,025,407)	-
Total revenue	7,404,281	59,057,523	221,786,907	(54,025,407)	234,223,304
Result					
Segment result	152,933	8,226,151	32,647,817	759,691	41,786,592
Interest expenses					(135,818)
Interest revenue					390,867
Taxation					(11,796,109)
Profit from ordinary activities					30,245,532

40. SEGMENT ANALYSIS (cont'd)

(a) Primary Reporting Format - Major Business Segments (cont'd)

	Investment Holding	Manufacturing	Marketing	Elimination	Consolidated
	RM	RM	RM	RM	RM
2005					
Assets					
Segment assets	68,133,035	37,856,329	86,535,701	(79,195,531)	113,329,534
Tax assets					1,808,986
Deferred tax assets					2,609,500
Cash deposits with licensed banks					8,308,130
					126,056,150
Liabilities					
Segment liabilities	1,483,083	16,287,806	35,039,129	(19,233,707)	33,576,311
Interest bearing liabilities					7,840,251
Deferred tax liabilities					1,440,200
Taxation					346,731
					43,203,493
Capital expenditure	3,926	7,393,296	3,139,386	-	10,536,608
Depreciation of property, plant and equipment	2,259	2,298,813	2,279,678	-	4,580,750
Non-cash expenses other than depreciation					
Bad debt written off					99,728
Unrealised loss on foreign exchange					30,680
Allowance for doubtful debts					182,463
Retirement benefits expense					1,169,158
Employee benefits expense					185,369
Change in fair value of investment properties					493,540
Impairment loss on property, plant and equipment					2,624,820
Property, plant and equipment written off					13,932

Inter-segment revenue which are eliminated upon consolidation, are entered in the ordinary course of business and have been established under terms mutually agreed between the parties concerned.

40. SEGMENT ANALYSIS (cont'd)

(a) Primary Reporting Format - Major Business Segments (cont'd)

Inter-segment sales comprises sales revenue which are priced at cost plus a percentage profit mark-up.

(b) Secondary Reporting Format - Geographical Segments

	Malaysia	Singapore	Consolidated
	RM	RM	RM
2006			
Total revenue from external customers	195,948,858	8,056,729	204,005,587
Segment assets	118,900,364	2,046,069	120,946,433
Tax assets			2,304,241
Deferred tax assets			1,912,400
Cash deposits with licensed banks			14,286,404
Non-current assets held for sale			5,258,770
Consolidated total assets			144,708,248
Capital expenditure	842,494	141,621	984,115
2005			
Total revenue from external customers	225,200,472	9,022,832	234,223,304
Segment assets	105,377,146	7,952,388	113,329,534
Tax assets			1,808,986
Deferred tax assets			2,609,500
Cash deposits with licensed banks			8,308,130
Consolidated total assets			126,056,150
Capital expenditure	10,481,680	54,928	10,536,608

41. SIGNIFICANT EVENTS

- (i) On 11 July, 2006, the Company implemented a bonus issue of 120,000,000 new ordinary shares of RM0.10 each on the basis of 1 new ordinary share for every 5 existing ordinary shares held on 7 July, 2006. The bonus issue is effected by way of capitalisation of RM12 million from the retained earnings of the Company. The new shares issued pursuant to the bonus issue, shall upon allotment and issue, rank equally in all respect with the existing shares save and except that they shall not be entitled to participate in any rights, allotments, dividends and/or other distributions, the entitlement date of which is before the date of the allotment of the new shares.
- (ii) On 3 August, 2006, the Company acquired 2 ordinary shares of RM1/- each in Key Elite Sdn. Bhd. ("KESB") representing 100% of the total issued and paid-up capital of KESB for a total consideration of RM2/-. Subsequently the paid-up share capital was increased from RM2/- to RM100,000/-.

42. SUBSEQUENT EVENTS

- (i) On 16 February 2007, Creative Network International (S) Pte. Ltd. ("CNIS"), a wholly owned subsidiary company of the Company, entered into an option with Specvision Holdings Pte. Ltd. for the disposal of a leasehold building for a cash consideration of SGD2,300,000 or equivalent of approximately RM5,290,000/-.
- (ii) On 26 February, 2007, the Company declared a second interim dividend of RM0.015 per share less 27% tax based on 718,817,700 ordinary shares of RM0.10 each, amounting to RM7,871,051/- payable on 13 April, 2007 in respect of the current financial year.

43. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group is exposed to a variety of risks in the normal course of business. The Group's risk management seeks to minimize the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks as follows:-

i. Foreign Exchange Risk

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency.

The Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank account which will primarily be used for payment of purchases in the same denomination. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

ii. Interest Rate Risk

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities which include fixed deposits, staff car loan and short term deposits, loans, overdraft facilities and hire purchase payable.

- Interest bearing financial assets

Cash deposits are short term in nature and are not held for speculative purposes but are placed to satisfy conditions for banking facilities granted to the Group and for better yield returns than cash at banks.

The Group manages its interest rate yield by prudently balances the placement of deposits with varying maturity periods.

- Interest bearing financial liabilities

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

iii. Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is their carrying amount as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit risks are minimized and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER, 2006

iv. Liquidity and Cash Flow Risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(b) Fair Values

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:-

i. Cash and Cash Equivalents, Trade and Other Receivables and Payables and Staff Car Loan

The carrying amounts approximates fair values due to the relatively short term maturity of these financial assets and liabilities.

ii. Borrowings

The carrying amount of floating rate term loans approximate their fair values.

The fair value of fixed rate term loan is estimated using discounted cash flow analysis, based on current lending rates for similar types of lending and borrowing arrangements.

The fair value of hire purchase liabilities is estimated using discounted cash flow analysis, based on current borrowing rates.

iii. Quoted Investments

The fair values of quoted investment are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

The carrying amounts of financial assets and liabilities recognised in the balance sheets of the Group as at balance sheet date approximate their fair values except for the followings:-

	Carrying Amount	Fair Value
	RM	RM
GROUP		
2006		
Financial Assets		
Marketable securities	15,047,793	16,746,084
Financial Liabilities		
Term loan I	195,217	* -
2005		
Financial Liabilities		
Hire purchase liabilities	121,275	124,622
Term loan I	195,217	* -
Term loan II	4,873,904	4,417,521

* It is not practical to estimate the fair value of the fixed rate term loan due to uncertainty of timing of repayment as the term loan has not been fully drawn down.

(b) Fair Values (cont'd)

The nominal amounts and fair value of financial liabilities not recognised in the balance sheets are as follows:-

	Nominal Amounts	Fair Value
	RM	RM
2006		
GROUP		
Contingent liabilities	16,891,205	* -
COMPANY		
Contingent liabilities	1,132,816	* -
2005		
GROUP		
Contingent liabilities	16,891,205	* -
COMPANY		
Contingent liabilities	1,179,477	* -

* It is not practical to estimate the fair value of the contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome

44. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006. As indicated in Note 2, there was no financial impact on adopting FRS 101, 108, 110, 116, 121, 124, 127, 128, 132, 133 and 119₂₀₀₄*

The impact resulting from changes in accounting policies arising from the adoption of FRS 3 Business Combinations, FRS 5 Non-current Assets Held for Sale, FRS 136 Impairment of Assets, FRS 138 Intangible Assets, FRS 121: The Effects of Changes in Foreign Exchange Rates and FRS 140 Investment Property are summarised below:

(a) FRS 3 : Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

i. Goodwill and Negative Goodwill

Prior to 1 January, 2006, goodwill is retained in the consolidated financial statements at cost less accumulated impairment losses, if any. Reserve on consolidation is not amortised.

With the adoption of FRS 3, the excess of cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired is retained in the balance sheet as goodwill, while the shortfall is credited to income statement in the year of acquisition. Goodwill is carried at cost less accumulated impairment losses and is tested for impairment annually or when indication of impairment exists.

Due to the derecognition of negative Goodwill (ie. Reserve on Consolidation) at the beginning of the year, a corresponding adjustment amounting to RM693,674/- is made to the opening balance of the Retained Earnings. The accounting policy on Goodwill adopted by the Group is consistent with FRS 3. The change in accounting policy has no impact on amounts reported for 2005 or prior periods.

ii. Accounting for Acquisitions

Prior to 1 January, 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably.

The above change of accounting policies has no financial impact on the financial statements of the Group.

(b) FRS 5 : Non-current Assets Held for Sale

Prior to 1 January, 2006, non-current assets held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets held for sale.

Upon the adoption of FRS 5, non-current assets held for sale are classified as current assets and current liabilities and are stated at the lower of carrying amount and fair value less costs to sell.

In accordance with the transitional provisions, the Group has applied this change in accounting policy prospectively after 1 January, 2006. The change in accounting policy has no impact on amounts reported for 2005 or prior periods.

(c) FRS 121: The Effects of Changes in Foreign Exchange Rates**Goodwill and fair value adjustments**

Prior to 1 January, 2006, goodwill arising on the acquisition of a foreign operations and fair value adjustments to the carrying amounts of assets and liabilities arising on such an acquisition were deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the date of acquisition. Upon the adoption of the revised FRS 121, goodwill and fair value adjustments arising on the acquisition of a foreign operation are now treated as assets and liabilities of the foreign operation and are translated at the closing rate.

In accordance with the transitional provisions, the Group has applied this change in accounting policy prospectively to all acquisitions occurring after 1 January, 2006. The change in accounting policy has no impact on amounts reported for 2005 or prior periods. There were no effects on the consolidated income statements for the year ended 31 December, 2006.

(d) FRS 140: Investment Property

Prior to 1 January, 2006, investment properties were stated at cost less accumulated impairment losses if any and are not depreciated. Upon the adoption of FRS 140, investment properties are now stated at fair value, reflecting the market condition at the balance sheet date. Any gain or loss arising from a change in fair value should be recognised in the income statement immediately.

In accordance with the transitional provisions, FRS 140 has been applied retrospectively and the comparatives have been restated as disclosed in note 45. The change in fair value of RM432,017/- has been made in 2004 retrospectively to reflect the fair value of investment properties at RM8,788,000/- and the opening retained earnings and comparatives had been restated accordingly.

45. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of changes in accounting policies as stated in note 44 to conform with the new adoption of FRS.

	<u>Previously Stated</u>	<u>Increase/ Decrease</u>	<u>Restated</u>
		FRS 140 Note 44(d)	
Description of change			
At 31 December 2005			
Group			
Investment properties	7,527,410	920,590	8,448,000
Deferred tax assets	1,080,400	1,529,100	2,609,500
Deferred tax liabilities	1,440,200	(1,440,200)	-
Retained earnings	21,276,445	1,009,490	22,285,935
Company			
Investment properties	7,527,41	920,590	8,448,000
Deferred tax assets	235,100	88,900	324,000
Retained earnings	6,812,221	1,009,490	7,821,711
For the year ended 31 December 2005			
Group			
Other operating costs	4,546,564	(488,573)	4,057,991
Profit before taxation	41,553,068	488,573	42,041,641
Taxation	11,885,009	(88,900)	11,796,109
Net profit for the year	29,668,059	577,473	30,245,532
Company			
Other operating costs	1,011,128	(488,573)	522,555
Profit before taxation	17,382,539	488,573	17,871,112
Taxation	5,214,673	(88,900)	5,125,773
Net profit for the year	12,167,866	577,473	12,745,339

Location / Postal address	Description / existing use	Land area / built-up area (sq. feet)	Tenure of land years (expiry date)	Approximate age (year)	Audited net book value as at 31 Dec 2006 (RM'000)	Date of Acquisition/ last revaluation
HS(D) 225891 PT42, Bandar Glenmarie, Daerah Petaling, Selangor Darul Ehsan Wisma CNI, No. 2, Jalan U1/17, Seksyen U1, Hicom Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan	Six storey office building and two storey factory building with two guard houses / Headquarter cum factory	175,602 / 200,733	Freehold	10	32,709	1 Apr 1994/ -
Grant 57213 Lot 8302, Mukim 13, North East District, Penang. No.27A, 27B and 27C, Lintang Angsana, Bandar Baru Air Itam, 11500 Air Itam, Penang.	Intermediate three storey shophouse / Renting out to third parties	1,991 / 4,444	Leasehold – 99 years (30 May 2093)	15	760	10 Jul 2003/ 4 Apr 2007
HS(D) 100850 PT 576, Bandar Shah Alam, Petaling District, Selangor Darul Ehsan No. 1, Jalan Tengku Zabedah F9/F, Seksyen 9, 40000 Shah Alam, Selangor Darul Ehsan.	Six storey corner shoplot cum office / Renting out to 3rd parties	2,252 / 12,865	Leasehold – 99 years (29 Aug 2094)	9	2,390	4 Apr 1995/ 4 Apr 2007
HS(D) 100852 PT 578, Bandar Shah Alam, Petaling District, Selangor Darul Ehsan No. 3, Jalan Tengku Zabedah F9/F, Seksyen 9, 40000 Shah Alam, Selangor Darul Ehsan.	Six storey shoplot cum office / Renting out and occupied as store room	1,800 / 10,632	Leasehold – 99 years (29 Aug 2094)	9	1,940	4 Apr 1995/ 4 Apr 2007
PM 4240 Lot 34357, Bandar Ampang, Hulu Langat District, Selangor Darul Ehsan A15/1/1, A15/2/2, A15/3/3, A15/4/4, A15/5/5, Jalan Ampang Utama 2/2, One Ampang Avenue, 68000 Ampang, Selangor Darul Ehsan.	5 storey terrace shoplot/ Renting out to third parties	1,865 / 9,163	Leasehold – 99 years (23 May 2089)	10	2,400	12 Jul 1993/ 4 Apr 2007

110 CNI HOLDINGS BERHAD
LIST OF PROPERTIES

Location / Postal address	Description / Existing Use	Land area / built-up area (sq. feet)	Tenure Of Land Years (Expiry Date)	Approximate age (year)	Audited net book value as at 31 Dec 2006 (RM'000)	Date of Acquisition/ last revaluation
HS(D) 59437 PT 284, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan	Condominium storey No. 6 of Block A / Renting out to third parties	Not applicable/ 1,231	Leasehold – 99 years (expires on 14.02.2091)	8	225	30 May 1995/ 4 Apr 2007
No. A-6-13 Block A, Sri Alam Condominium, Jalan Kelab Golf 13/1, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan						
HS(D) 40073 PT 60002, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak	Double storey office cum single storey factory / Vacant factory	107,599 / 32,981	Leasehold – 60 years (expires on 14 Feb 2046)	11	2,250	5 Sept 1997/ 4 Apr 2007
HS(D) 40074 PT 60003, Mukim Hulu Kinta, Daerah Kinta Negeri Perak						
No. 8 and 10, Solok Rishah 3, Kawasan Perindustrian Silibin, 30100 Ipoh, Perak						
HS(D) 136183 PT1, Bandar Glenmarie, Daerah Petaling, Negeri Selangor Darul Ehsan	Vacant land. Refer to note 4(b) of the Financial Statements	63,701 / Not applicable	Freehold	Not applicable	3,495	28 Oct 1997/ -
Lot 172, Hicom Glenmarie Industrial Park, 40000 Shah Alam						

The following information is provided in accordance with Paragraph 9.25 of the Listing Requirements of Bursa Malaysia Securities Berhad as set out in Part A of Appendix 9C thereto:

1. Utilisation of Proceeds

During the financial year ended 31 December 2006, there were no proceeds received by the Company from any corporate proposals which required Securities Commission's approval.

2. Share Buy-Backs

During the financial year ended 31 December 2006, the Company bought back a total of 1,119,300 of its issued and fully paid ordinary shares of RM0.10 each in the open market. The average price paid for the share buy-back was RM0.47 per share. The buy-back shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The details of share buy-back during the financial year are disclosed in Note 17 to the Financial Statements on page 79 of this Annual Report.

3. Option, Warrants or Convertible Securities Exercised

There were no options, warrants or convertible securities issued by the Company during the financial year ended 31 December 2006.

4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year ended 31 December 2006, the Company did not sponsor any ADR or GDR programme.

5. Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management, by the relevant regulatory bodies during the financial year ended 31 December 2006.

6. Non-audit Fees

The amount of non-audit and other non-statutory audit fees paid and payable to the Company's Auditors and their affiliated companies by the Group for the financial year ended 31 December 2006 are as follows:

	RM
Moore Stephens, Malaysia	23,400
Moore Stephens (Tax Services) Sdn Bhd, Malaysia	50,702
Firms affiliated to Moore Stephens, Malaysia	16,671
Overseas firms affiliated to Moore Stephens, Malaysia	11,490
Total	102,263

7. Variation in Results

There was no material variance between the financial results in the Audited Financial Statement for the financial year ended 31 December 2006 and the unaudited financial results for the year ended 31 December 2006 announced by the Company on 26 February 2007.

8. Profit Guarantee

There was no profit guarantee for the financial year ended 31 December 2006.

9. Material Contracts

Save as those described in Note 39 to the Financial Statements on pages 96 to 99 of this Annual Report, there were no material contracts entered into by the Company and its subsidiaries involving the interest of Directors and/or major shareholders, either still subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year.

10. Contracts Relating to Loans

There were no contracts relating to loans by the Company involving Directors' and major shareholders' interest.

11. Revaluation Policy

The Company revaluation policy on landed properties is disclosed in Notes 3 (d) and 3 (e) to the Financial Statements on pages 62 to 63 of this Annual Report.

12. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 15 June 2006, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature. The disclosure of recurrent related party transactions conducted during the financial year ended 31 December 2006 is set out on pages 112 to 113 of the Annual Report.

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

At the Seventeenth Annual General Meeting held on 15 June 2006, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Paragraph 4.1.5 of Practice Note No. 12/2001 of Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2006 pursuant to the shareholders' mandate are disclosed as follows:

Transacting Parties			Amount	
Transacting Companies	Companies within our Group	Interested Related Parties	Transacted during the financial year RM'000	Nature of transactions
CNI Corporation Sdn Bhd ("CNIC")	CNI Enterprise (M) Sdn Bhd ("CNIE")	Dato' Koh Peng Chor Tan Sia Swee Chew Boon Swee Cheong Chin Tai	600	Provision of management services to CNIE
	CNIE	Law Yang Ket	396	Rental of premise from CNIE comprising part of 4th floor of building bearing postal address No. 2, Jalan U1/17, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor
	CNIE		520	Lease of equipment and licensed program to CNIC
CNI Venture Sdn Bhd	Exclusive Mark (M) Sdn Bhd ("EM")	Dato' Koh Peng Chor Tan Sia Swee Chew Boon Swee	354	Provision of research, development and testing services to EM
	Q-Pack (M) Sdn Bhd ("Q-Pack")		158	Provision of research, development and testing services to Q-Pack
	CNIE		116	Rental of premise from CNIE comprising part of 1st floor of building bearing postal address No. 2, Jalan U1/17, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor
Citra Nusa Insancemerlang Investment Company	EM	Dato' Koh Peng Chor Tan Sia Swee Chew Boon Swee Law Yang Ket	44	Licence to EM the rights to use and manufacture products in Malaysia based on the formulation property and to sell such manufactured products outside Malaysia
	Q-Pack		46	Licence to Q-Pack the rights to use and manufacture products in Malaysia based on the formulation property and to sell such manufactured products outside Malaysia
CNI Health Products (Shandong) Co. Ltd	EM	Dato' Koh Peng Chor Tan Sia Swee	440	Supply of royal jelly powder and honey to EM

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

Transacting Party	Companies within our Group	Interested Related Parties	Amount Transacted during the financial year RM'000	Nature of transactions
Cameron Heights Sdn Bhd ("CH")	CNIE	Dato' Koh Peng Chor Tan Sia Swee Law Yang Ket	1	Rental of office space in Wisma CNI to CH
Master Land Investment Limited	CNIE	Dato' Koh Peng Chor Tan Sia Swee	1,528	Supply and procurement of goods and raw material to CNIE
PC Marketing Sdn Bhd ("PCM")	Q-Pack	Dato' Koh Peng Chor	30	Rental of premises from PCM known as No. 11A & 11B Jalan 25/64, 40400 Shah Alam
	EM		54	Rental of premises from PCM known as No. 11C, 13A, 13B and 13C Jalan 25/64, 40400 Shah Alam
CNI Enterprise (India) Private Ltd	CNIE	Dato' Koh Peng Chor Cheong Chin Tai	89	Purchase of goods from CNIE
	EM		57	Contract manufacturing customer of EM
Leader Regent Limited	EM	Dato' Koh Peng Chor	5,243	Contract manufacturing customer of EM
CNI IPHC	CNIE	Dato' Koh Peng Chor Tan Sia Swee Chew Boon Swee Cheong Chin Tai Law Yang Ket	221	Licence to CNIE the rights to use the trademarks and CNI logo in Malaysia, Brunei and Singapore
Global Business Network Sdn Bhd ("GBN")	CNIE	Dato' Koh Peng Chor Tan Sia Swee	14	Rental of office space in Wisma CNI to GBN
CNI Hong Kong Limited	CNIE	Dato' Koh Peng Chor Tan Sia Swee	715	Purchase of goods from CNIE
	EM		242	Contract manufacturing customer of EM
	Q-Pack		17	Contract manufacturing customer of Q-Pack
CNI Food Products Co. Ltd	EM	Dato' Koh Peng Chor Chew Boon Swee	110	Supply of royal jelly powder and honey to EM

ANALYSIS OF SHAREHOLDINGS AS AT 30 APRIL 2007

Authorised Share Capital	:	RM100,000,000.00
Issued and Paid-Up Share Capital	:	RM72,000,000.00 comprising 720,000,000 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Shareholders				No. of Shares Held			
	Malaysian		Foreigner		Malaysian		Foreigner	
	No.	%	No.	%	No.	%	No.	%
Less than 100	61	0.68	2	0.02	2,400	(1)	60	(1)
100 - 1,000	3,424	38.26	267	2.98	1,863,060	0.26	159,460	0.02
1,001 - 10,000	4,103	45.84	115	1.28	11,156,752	1.55	278,200	0.04
10,001 - 100,000	767	8.57	17	0.19	20,768,360	2.89	732,180	0.10
100,001 – 35,940,884 (*)	178	1.99	13	0.15	227,117,384	31.60	16,831,853	2.34
35,940,885 and above (**)	3	0.03	-	-	439,907,991	61.20	-	-
Total	8,536	95.37	414	4.63	700,815,947	97.50⁽²⁾	18,001,753	2.50⁽²⁾

Notes:

(*) Less than 5% of issued shares⁽²⁾(**) 5% and above of issued shares⁽²⁾

(1) Less than 0.01%

(2) Excluding a total of 1,182,300 CNI Holdings Berhad ("CNI") shares bought-back by CNI and retained as treasury shares as at 30 April 2007.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name	Direct Interests		Indirect Interests	
	No. of Shares Held	% of Issued Shares ⁽³⁾	No. of Shares Held	% of Issued Shares ⁽³⁾
Dato' Koh Peng Chor	2,490,240	0.35	372,661,243 ⁽¹⁾	51.84
Tan Sia Swee	24,256,980	3.37	1,676,400 ⁽²⁾	0.23
Chew Boon Swee	1,128,614	0.16	-	-
Cheong Chin Tai	1,200,000	0.17	-	-
Law Yang Ket	1,387,752	0.19	-	-
Thiang Kai Goh	-	-	-	-
Aggie Chew Poh Lian	-	-	-	-
Zulkifli bin Mohamad Razali	-	-	-	-

Notes:

(1) Deemed to have interests in CNI shares held by persons connected as defined per Section 122A of the Companies Act, 1965 and held by other corporation by virtue of Section 6A(4) of the Companies Act, 1965.

(2) Deemed to have interests in CNI shares held by person connected as defined per Section 122A of the Companies Act, 1965.

(3) Excluding a total of 1,182,300 CNI shares bought-back by CNI and retained as treasury shares as at 30 April 2007.

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interests		Indirect Interests	
	No. of Shares Held	% of Issued Shares ⁽³⁾	No. of Shares Held	% of Issued Shares ⁽³⁾
Marvellous Heights Sdn Bhd	363,526,123	50.57	-	-
Cabar Sanubari Sdn Bhd	50,358,878	7.01	363,526,123 ⁽¹⁾	50.57
Fitri Ceria Sdn Bhd	37,741,868	5.25	-	-
PC Marketing Sdn Bhd	5,645,520	0.79	363,526,123 ⁽¹⁾	50.57
Syed Esa bin Syed Abdul Kadir	-	-	413,885,001 ⁽¹⁾	57.58
Syed Abdullah bin Syed Abd Kadir	-	-	413,885,001 ⁽¹⁾	57.58
Datin Normah binti Tan Sri Hashim	-	-	37,741,868 ⁽¹⁾	5.25
Dato' Mohamed Azman bin Yahya	-	-	37,741,868 ⁽¹⁾	5.25
Dato' Koh Peng Chor	2,490,240	0.35	372,661,243 ⁽²⁾	51.84
Datin Chuah Tek Lan	787,800	0.11	374,363,683 ⁽²⁾	52.08

Notes:

- (1) Deemed to have interests in CNI shares held by persons connected as defined per Section 122A of the Companies Act, 1965 and held by other corporation by virtue of Section 6A(4) of the Companies Act, 1965.
- (2) Deemed to have interests in CNI shares held by person connected as defined per Section 122A of the Companies Act, 1965.
- (3) Excluding a total of 1,182,300 CNI shares bought-back by CNI and retained as treasury shares as at 30 April 2007.

ANALYSIS OF SHAREHOLDINGS AS AT 30 APRIL 2007

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Shares ⁽¹⁾
1. Marvellous Heights Sdn Bhd	363,526,123	50.57
2. Cabar Sanubari Sdn Bhd	38,640,000	5.38
3. Fitri Ceria Sdn Bhd	37,741,868	5.25
4. Tan Sia Swee	24,256,980	3.37
5. Astaka Cergas Sdn Bhd	18,910,390	2.63
6. Suriakhas Sdn Bhd	17,945,518	2.50
7. Cabar Sanubari Sdn Bhd	11,718,878	1.63
8. Tan Kim Choon	9,748,039	1.36
9. Gan Ah Seng	9,745,139	1.36
10. Heng Hoay Liang @ Heng Hoye Ee	8,726,552	1.21
11. Chew Boon Yeng	8,658,652	1.20
12. Toh Siew Kee	8,547,752	1.19
13. Suriakhas Sdn Bhd	7,680,000	1.07
14. Gan Choo Huat	6,061,792	0.84
15. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for PC Marketing Sdn Bhd	5,260,920	0.73
16. Lew Chin Kwee	4,939,800	0.69
17. Abdul Rashid Hussain	4,560,000	0.63
18. Gan Chooi Yang	4,403,904	0.61
19. Beh Hang Kong	4,096,680	0.57
20. MAYBAN Nominees (Asing) Sdn Bhd DBS Bank for Triton Capital Group Ltd	3,557,000	0.49
21. Ginawan Chondro	3,554,972	0.49
22. Ong Teck Seng	2,600,000	0.36
23. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Koh Peng Chor	2,490,240	0.35
24. Suharman Subianto	2,477,243	0.34
25. Cheong Chee Kee	2,463,666	0.34
26. Stephanus Abrian Natan	2,372,158	0.33
27. ED Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Chen Khai Voon	2,292,000	0.32
28. Addeen Trading Sdn Bhd	2,078,900	0.29
29. Kuek Chai Peng	1,698,100	0.24
30. Murad bin Basir	1,695,840	0.24
Total	622,449,106	86.59

Note:

(1) Excluding a total of 1,182,300 CNI shares bought-back by CNI and retained as treasury shares as at 30 April 2007.

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of CNI Holdings Berhad ("CNI" or "Company") will be held at Diamond Hall, First Floor, Wisma CNI, 2 Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 21 June 2007 at 10.00 a.m., for the following purposes:

AGENDA

As Ordinary Business

- | | |
|---|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| <hr/> | |
| 2. To re-elect the following Directors who retire by rotation pursuant to Article 91 of the Company's Articles of Association: | |
| (a) Dato' Koh Peng Chor | Ordinary Resolution 2 |
| (b) Cheong Chin Tai | Ordinary Resolution 3 |
| (c) Chew Boon Swee | Ordinary Resolution 4 |
| <hr/> | |
| 3. To approve the payment of Directors' fees of RM228,000 for the financial year ended 31 December 2006. | Ordinary Resolution 5 |
| <hr/> | |
| 4. To re-appoint Messrs. Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

As Special Business

To consider and if thought fit, to pass the following Resolutions, with or without modification:

- | | |
|--|------------------------------|
| 5. Authority to Allot Shares | Ordinary Resolution 7 |
| "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting of the Company and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities." | |
| <hr/> | |
| 6. Proposed Renewal of Existing and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | Ordinary Resolution 8 |
| "THAT approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the specified class of the related parties as stated in Section 1.3 of Part A of the Circular to Shareholders of the Company dated 28 May 2007 which are necessary for the Group's day-to-day operations and carried out on an arm's length basis, in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders. | |
| AND THAT the shareholders' mandate, unless revoked or varied by the shareholders in a general meeting; shall take effect from the date of the passing of this resolution and shall continue in force until: | |
| (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse unless renewed by an ordinary resolution passed by the shareholders at the next AGM; | |

NOTICE OF ANNUAL GENERAL MEETING

(b) the expiration of the period within which the next AGM is to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting before the next AGM,

whichever is the earlier.

AND FURTHER THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the mandate."

-
7. Proposed Renewal of Authority for Share Buy-Back of up to 10% of the Issued and Paid-up Share Capital of CNI ("Proposed Share Buy-Back")

Ordinary Resolution 9

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.10 each in CNI as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company and an amount not exceeding CNI's audited retained profits of RM4,069,795 for the financial year ended 31 December 2006 be allocated by CNI for the Proposed Share Buy-Back.

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse unless renewed by an ordinary resolution passed by the shareholders at the next AGM; or

(b) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting before the next AGM,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient in order to implement, finalise or give full effect to the Proposed Share Buy-Back AND FURTHER THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the ordinary shares of RM0.10 each in CNI purchased by CNI pursuant to the Proposed Share Buy-Back as treasury shares to be either distributed as share dividends or resold on Bursa Securities or subsequently cancelled, or to cancel the shares so purchased, or a combination of both."

-
8. Proposed Amendments to the Articles of Association of CNI

Special Resolution 10

"THAT the amendments to the Articles of Association as set out in the Annexure to Part C of the Company's Circular to Shareholders dated 28 May 2007 be and are hereby adopted."

-
9. To transact any other business of which due notice shall have been given.
-

BY ORDER OF THE BOARD

LIM MING TOONG (MAICSA 7000281)
CHIN YOKE KWAI (MAICSA 7032000)
Company Secretaries

Selangor Darul Ehsan
28 May 2007

Notes:

1. A member may appoint a proxy to attend and vote in his stead. Such proxy need to be a member of the Company.
2. A member shall be entitled to appoint up to two (2) proxies. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's registered office at Wisma CNI, 2 Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. The proposed Ordinary Resolution 7, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company without having to convene a general meeting. This authority unless revoked or varies at a general meeting, will expire at the next Annual General Meeting of the Company.
2. The proposed Ordinary Resolution 8, if passed, will enable the Company and its subsidiaries to enter into the recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations. This authority unless revoked or varies at a general meeting, will expire at the next Annual General Meeting of the Company.
3. The proposed Ordinary Resolution 9, if passed, will empower the Company to purchase its own shares through Bursa Securities up to 10% of the issued and paid-up share capital of the Company. This authority unless revoked or varies at a general meeting, will expire at the next Annual General Meeting of the Company.
4. The proposed Special Resolution 10, if passed, will enable the Company to update its Articles of Association for clarity, to reflect current practice and to ensure continued compliance with the Listing Requirements of the Bursa Securities.

Further information on the Proposed Renewal of Existing and New Shareholders' Mandate for Recurrent Related Party Transactions, Proposed Share Buy-Back and Proposed Amendments to the Articles of Association are set out in the Circular to Shareholders dated 28 May 2007, despatched together with the Company's Annual Report 2006.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO THE PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors who are seeking re-election at the Eighteenth Annual General Meeting of the Company are:

The Directors retiring by rotation pursuant to the Articles of Association of the Company and seeking re-election are as follows:-

(a) **Dato' Koh Peng Chor** – (Resolution 2)

(b) **Cheong Chin Tai** – (Resolution 3)

(c) **Chew Boon Swee** – (Resolution 4)

The details of the Directors who are seeking re-election are set out in their respective profiles which appear in the Directors' Profile on pages 20 to 22 of the Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appear on page 114 of the Annual Report.

2. Details of attendance of Directors at Board Meetings

A total of six Board meetings were held in the financial year ended 31 December 2006. The details of attendance of Directors at the Board meetings held in the financial year ended 31 December 2006 are set out in the Statement on Corporate Governance on page 24 of the Annual Report.

3. Place, Date and Hour of the Eighteenth Annual General Meeting of the Company

The Eighteenth Annual General Meeting of the Company will be held at Diamond Hall, First Floor, Wisma CNI, 2 Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 21 June 2007 at 10.00 a.m., and at any adjournment thereof.

SELANGOR

	Code	Operator	Address / E-mail	Tel	Fax
DC	B56	Dr Azman Ching Eu Boon	9 Wisma Ching Eu Boon Lrg Gudang Nanas 2 Jln Pasar	03-33439897/ 33433416/ 019-3209897	03-33419477
	B179	Jamil Bin Zakaria	53A, Jalan SS3/29 Taman Universiti 47300 Petaling Jaya.	03-78739897	03-78736897
	B190	Muhammad Zulkey Hashim	4A, Jln Mendaling 43000 Kajang.	03-87332030/ 016-2200012/ 016-3280001	03-87332050
	B197	Ho Ken Fatt	B-LG-07 Perdana Selatan, Serdang Perdana	03-89435480/ 89435481/ 012-2915007/ 43300 Sri Kembangan	03-89435481 012-6130643
	B205	Loh Ten Song	G10 Jalan Sri Hijau 14 Taman Sri Hijau 48000 Rawang.	03-60928461/ 60928525	03-60928525
	B230	Roslan Bin Basir	1-12 Jln Dagang B/3A Tmn Dagang 68000 Ampang	03-42701897	03-42706279
	B231	Tony Yaw Swee Khen	12A Jln USJ 21/6, 47600 UEP Subang Jaya	03-80259639	03-80259637
	B233	Rohaidah Bt. Ramli	573 Jln Samudera Utara 1 Tmn Samudera 68100 Batu Caves.	03-61841897	03-61842897
	B236	Siti Tumisah Bt. Selamat	No 9 Jln Perwira 2 Tmn Perwira 45300 Sg Besar Selangor	03-32247897	03-32245897
	B239	Junaidah Bt. Ahmad	92A Jln 1/2 Seksyen 1, Bdr Teknologi Kajang,	03-87233897/ 012-2919897/ Off Jln Semenyik, 43500 Semenyih	03-87244897 019-3158767
SP	ZB103	Harun Bin Sood	PLB No. 23, Batu 15 Pasar Malam, Paya Jaras, 47000 Sg. Buloh	03-61564811/ 61402064/ 013-6280366	
	ZB117	Noraini Bt. Abdullah	Blk F 117-B, Tkt 1 Tmn Kem, Jln Kem 42000 Pelabuhan Klang	03-31682466/ 012-3262416	
	ZB121	Lee Boon Hoe	79A, Jln Pendar Pandamaran, 42000 Pelabuhan Klang	03-31679897/ 012-2159897	03-31683505
	ZB128	Rubiah Bt. Ismail	Lot 3674-Z, Kg Melayu Subang 40000 Shah Alam	03-78463407/ 019-2633914	03-78463407
	ZB129	Saliah Bt. Kadim	Lot 3433 Kg Melayu Subang 40150 Shah Alam	03-78472133/ 019-2461597	
	ZB364	Zamri Bin Kassim	11 Tkt Satu Jln Timun C/24C, Seksyen 24, 40000 Shah Alam	03-55413004/ 019-2863634	
	ZB176	Gan Choo Ann	161 Jln Sultan Abdul Samad 42700 Banting	03-31872333/ 012-3027433	03-31872333
	ZB209	Mohd Azhari Bin Sarmadi	Depan Dewan Lrg 1, Kg Labohan Dagang 42700 Banting	03-31494897/ 012-6260298/ 012-3198785	
	ZB211	Samsiah Bt. Bahman	Lot 5298 Jln Haji Hashim, Bukit Kapar 42200 Klang.	013-6416826/ 013-3640025/ 03-33931686	03-33931686
	ZB223	Zawiah Bt. Abd. Aziz	No 43A-1-1B, 1st Floor Blok F, Pusat Bdr. Baru Bangi, 43650 Bdr. Baru Bangi.	03-89263540/ 019-3212827/ 019-3514041	03-89263540
	ZB255	Fuziah Bt. Shari	No 33 Jln Meranti 2C Bandar Utama 44300 Batang Kali Selangor	012-2811324/ 012-3043401	
	ZB256	Rodzali Bin Abd Wahid	NO-41-1 Jln PDR 6, Kaw. Perusahaan Desa Ria, 43300 Balakong	03-89618673/ 019-2334303	
	ZB280	Sazali Bin Abdullah	No.9 Jln 1 Tkt Bawah, Tmn Sri Sg Pelek 43950 Sepang	012-6119632	
	ZB286	Ahmad Dzarawi Bin Mohd Salan	4 Jln 13 Tmn Dato' Harun 46000 PJ	03-77841859	
	ZB307	Mohd Sabri Md Dom	47 Jln Klang Banting Teluk Panglima Garang, 45200 Banting	019-3656926/ 019-2279897/ 012-2047998	
	ZB322	Mohd Jalani Bin Supar	No 20 Jalan 12A, Taman Muhibah 45200 Sabak Bernam	03-32164761/ 012-2515378/ 012-5784626/ 013-6648818	
	ZB334	Eng Yik Chan	8 Jln Cecawi 6/16 Kota Damansara 47810 PJ	016-2029897/ 016-2039897	
	ZB341A	Noraini Bt. Asroo	Lot 3 Tingkat 2 Bgn Tabung Haji Jln Kilang Padi 45500 Tg Karang	019-3119281/ 019-2822335	
	ZB350	Normah Bt. Mayar	11A, Jln Puchong Permai 2 Tmn Puchong Permai 47100 Puchong	013-3655364 / 013-2481173	
	ZB353	Sitinah Bt Daiman	Lot 2323 Lorong Aman Kg Sijangkang 42500 Teluk Panglima Garang Selangor	03-31227021 / 016-3552162	
	ZB358	Ching Yew Hoo	No 56C Jln Dato Dagang 24 Tmn Sri Sentosa 41200 Klang	03-51612232	
	ZB359	Arasu a/1 Muniappan	No 23B (Restoran) Jalan Besar 34500 Batang Berjuntai Selangor.	03-32718897/ 016-6855845	03-32718897

WILAYAH PERSEKUTUAN

DC	W131	Cheah Kong Chun	211 A Jln Genting Klang 53300 Setapak.	03-40245133	03-40239195
	W192	Choong Mun Fook	54-A, Jln Serkut, Tmn Pertama, Cheras 56100.	03-92877190	03-92877190
	W195	Wong Wai Yan	9 Jln 3/33B Batu 61/2 Jln Kepong 52000 Kuala Lumpur	03-62502009	03-62502009
	W196	Chin Mee Ling	21-1 Jln Ipoh Kecil 50350 Jln Ipoh	03-40456826/ 016-6117856	03-40451085
SP	ZW172	Muhamad Rasid Bin Kadir	2 Lrg Keramat Dalam 2 Datok Keramat 54200	03-42561469/ 016-3037537	
	ZW222A	Abu Seman Bin Lias	97A Tkt 1 Jln Besar Kerinchi Bangsar 59200	019-2539197	
	ZW248	Sulaiman Bin Hj Hussin	56 Blk B, Falt PKNS, Jln Raja Muda Musa, Kg Baru, 50300	03-26929169/019-2728551	
	ZW360	Ahmad Fauzy Bin Mohd Hashim	No 19 Jalan P9 B1/15 Presint 9 62250 Putrajaya	03-88901337/012-6028337/ 012-3728337	03-88902337
	ZW363	Effie Leong Yi Fui	No 7 Jalan 20/26 Taman Seri Rampai 53300 KL	03-40232122/ 012-3457337	

NEGERI SEMBILAN

DC	N59	Hew Yoong Wui	656 Jln Haruan 4/10 Pusat Komersial Oakland 70300 Seremban	06-6338337/ 019-6500588/ 06-7629361(R)	06-6339337
	N156	Siow Pin	1052 Tingkat Atas Pulau Sebang 73000 Tampin	06-4415128/ 012-6570204	06-4415128
	N222	Harun Bin Tahir (Helmi Gimmicks)	PT 7165 Jln BBN 1/1A Putra Point, Phase 1 Bandar Baru Nilai 71800	06-8500130/ 019-3248110	06-8500138
SP	ZN201	Mokhtar Bin Bujang	PT132 Tingkat Atas, Pusat Perniagaan Taman Megah Mas 72100 Bahau	06-4540846/ 013-3940996	06-454 0846
	ZN290	Siaris Bin Ismail	No 30 Kg Sri Gemas 73400 Gemas Negeri Sembilan	019-2616982/ 019-7353072	
	ZN292	Md Amran Bin Hassan	PT21/2 Tkt Bawah, Tmn Sri Mawar Jln Bypass 71000 Port Dickson	012-2157227/ 012-2056227	
	ZN308	Mohd Iqbal Muhamad	616/20 Aked MARA Kuala Pilah, Jln Perpatih 72000 Kuala Pilah	019-3683424/ 019-3680876/ 019-4768200	
	ZN313	Mohd Ghazali Bin Awaludin	39 Tmn Desa Chembong 71300 Rembau	012-6099535/ 06-6857617	
	ZN352	Rafidah Bt Shamsudin	Lot 5703 No. 23, Tmn Gemenchah Jaya, 73200 Gemenchah	06-4319826 / 017-6112504	
	ZN354	Mek Bunga Bin Mat Hassan	Pt 11411A-Jln BBN 6/2B Tmn Desa Cempaka Bandar Baru Nilai 71800 Nilai Negeri Sembilan	06-8502677/ 012-2929897	
	ZN357	Kamariah Bt Ahmad	131-2 Jln Tmn Komersil Senawang 1, Tmn Komersil Senawang 70450 Seremban	06-6788519/ 012-3141140	

MELAKA

	Code	Operator	Address / E-mail	Tel	Fax
DC	M207	Nazri Bin Talib	11 Jln BBP 1 Tmn Batu Berendam Putra 75350 Batu Berendam Melaka	06-3359978/ 06-3369349/ 019-6555313/ 013-6189897	06-3350067
	M237	Chong Mun Fook	57-A Jln Kota Laksamana 1/2 Tmn Kota Laksamana 75200 Melaka	06-2837617	06-2827723
SP	ZM119A	Sabri Bin Ab Hamid	1397 TKT 1 (atas), Komplek Perniagaan Bdr Baru 78300 Masjid Tanah	06-3517809/ 013-6191208	06-3517809
	ZM192A	Jaafar Bin Hashim	590-1 Km 12 Kg Pernu, Pernu 75460	06-2610012/ 012-6764096	06-2610012
	ZM199	Kalsom Bt. Rahmat	2.13 TKT1 Aked Mara Jln. Pasar, Alor Gajah 78000 Alor Gajah.	06-5591425/ 013-6185156	
	ZM217	Ajis Bin Ali	409-2 Batu 7 1/4 Bukit Rambai 75250	06-3345515 / 012-3109897/ 012-3609602	
	ZM229A	Siti Roslina Bt. Muhamad	J-7282 Jln Orkid 4 Tmn Maju 77000 Jasin.	06-5295122/ 013-3262599/ 013-3788369	
	ZM291	Md Shah Bin Samat	Pertubuhan Peladang Kawasan Merlimau J 4613 (Atas) Jln Muar 77300 Merlimau	06-3853681/ 016-6461490	
	ZM356	Zainun Bt Bakar	Lot 24 JB 6484, Rumah Kedai Pekan Nyalas, 77100 Asahan	019-6051630	

JOHOR

DC	J58	Tey Ching	14 Tingkat 1 Jln Raya, Kulai Besar 81000 Kulai.	07-6633467	07-6633467	
	J101	<i>Cni</i> Chua Chong Hong	277 Jln Sutera, Tmn Sentosa 80150 Johor Bahru.	07-3338995/ 016-7338995/ 012-7172937	07-3343862	
	J135	Lim Tin Hok	72 Jln Indah Satu, Tmn Bukit Indah 81200 Johor Bahru.	07-2363628/ 016-7338226/ 019-7713628	07-2379228	
	J146	<i>Cni</i> Lim Siew Hai	NO 1st Floor, Jln Muhibbah 2 Tmn Muhibbah 85000 Segamat	07-9322139/ 012-6583308/ 012-6931538	07-9326143	
	J189	Dewi Ida Yanti Harahap	7 Jln Molek 2/5 Tmn Molek 81100 Johor Bahru.	07-3524731	07-3543466	
	J191	Chua Teck Khuan	1-8 Tkt 1 Jln. Ismail 84000 Muar, Johor.	06-9526590/ 019-3697129	06-9545191	
	J218	Tay Chieng Hoong	46 Jalan Intan 2/2 Taman Intan 86000 Kluang.	07-7710242/ 012-7987598	07-7710242	
	J225	Sariyah Bt. Jumahad	728 Tkt 1 Jln Teo Kang Sui Dalam 82000 Pontian	07-6869070/ 012-7326697	07-6869070	
	J226	Kamaruddin B. Ab Ghani	400 Jln Wawasan 4 Tmn Wawasan 86800 Mersing	07-7997002/ 013-9849897	07-7997003	
	J227	Dr. Azman Ching Eu Boon	Wisma ACEB 15 Jln Setia Jaya, Tmn Setia Jaya 83000 Batu Pahat	07-4389897	07-4319897	
	SP	ZJ163	Faizah Bt. Mohd. Sani	No 23-A, Jln Kolam Air, Tmn Medan Indah 81900 Kota Tinggi.	07-8832051/ 016-7572046/ 016-7496109	07-8832051
		ZJ180A	Lim Foo Heing	23 Kampung Baru Satu 84900 Tangkak, Johor	06-9782058/ 012-2317321	
ZJ231		Norkamil Bin Daimin	68A Jln Padi 2 Bdr Baru Uda 81200 Tampoi	07-2357221/ 012-7137721/ 016-7177221	07-2357221	
ZJ234		Zaidah Bt. Yahya	No 36 Jln Cengkkih Tmn Makmur 86000 Kluang	07-7712948/ 019-7749897/ 013-7479897		
ZJ241		Juha Bin Said	No 9 Perhentian Bas Dan Teksi 81550 Gelang Patah Johor	013-7056869/ 013-7632010		
ZJ259		Wakio@Wagio Bin Marjan	76A, Jln Rambutan, Tmn Tiram Bahru 81800 Ulu Tiram	013-7794997/ 012-7685723		
ZJ269		Hafizah bt Osman	20A, Jln Bacang 37 Tmn Kota Masai 81700 Masai, Johor	019-7499897 / 012-7764078		
ZJ311		Chan Poi Chin	No 28 Jln Dahlia 20 Tmn Dahlia 81200 Johor	07-2365878	07-2365878	
ZJ318		Norlaila Bt. Mohd Noor	No 25 Bazar Niaga Ayer Hitam 86100 Ayer Hitam	07-7582968		
ZJ335		Noyzbah bt Mohd Yasin	No 18A Jln Kebudayaan 1A Taman University 81300 Skudai	013-7305335/ 019-7173515		

KELANTAN

DC	D188	Lee Chun Kiat	PT397 Tkt Bawah, Jln Dusun Raja, Sri Cemerlang 15400 Kota Bharu.	09-7433625/ 019-9809897	09-7477433
	D220	<i>Cni</i> Roslan B. Abdullah	Lot 3117 Kweng Hitam Jln Besar 18500 Machang	09-9758200/ 019-2139897	09-9758300
SP	ZD225	Rokiah Bt. Jusoh	No 6 Depan Dewan Majlis Daerah Kuala Krai Utara (MDKKU) 18000 Kuala Krai.	017-9738776/ 012-9452303/ 019-9627689	
	ZD235	Haziman Bin Ab Aziz	No.4 Bangunan MARA 17500 Tanah Merah.	09-9557207/ 012-9212900	09-9557207
	ZD240	S Raiehan Bin Ab Rashid	Lot 9417 Simpang 3 Merangkap 16800 Pasir Puteh Kelantan	09-7867351/ 013-9329914	
	ZD267	Zakaria Bin Daud	118 Jln Chempaka, Tmn Wangi 18300 Gua Musang	09-9125090	
	ZD304	Zaiton Bt. Ismail	632 T/A Jln Pengkalan Chepa, Cabang 3, 16100 Pengkalan Chepa	012-9815340	
	ZD337	Mohd Shamsuddin b. Berahim	No 61 Jln Puteri Sa'dong 16250 Wakaf Baru Tumpat	012-9551606	
	ZD351	Hartina Bt Amir	W2/458, Jln Hospital, 17000 Pasir Mas, Kelantan	019-9184408 / 013-9791272	

TERENGGANU

DC	T118	Lim Mon Nee	40-A, Jln Jakar, Chukai 24000 Kemaman.	09-8591028	09-8591028
	T130	<i>Cni</i> Cheng Bee Teck	219 Jln Sultan Zainal Abidin 20000 Kuala Terengganu.	09-6220085/ 012-9892628	09-6310085
	T232	Nazri Bin Talib	PT 10371 Tingkat 1 Batu 5 Jln Paka, Tmn Bukit Bauk 23000 Dungun	09-8423897/ 8423898	09-8423890
SP	ZT122	Minah Bt. Ali	160A, Pekan Ajil 21800 Ajil.	09-6862692	
	ZT227	Zawiah Bt. Md Nasir	PT 13650K, Tmn Permint Makmur, Wakaf Tembusu, Gong Badak 20300 KT	09-6660366/ 013-9436988	
	ZT265C	Azizudin Bin Endut	Depan Masjid Kg. Banggoi 22100 Bdr Permaisuri Setiu, Terengganu	09-6099899/ 019-9228508	
	ZT278	Siah Joon Sam	777-C Depan Stesen Bas, Jln Besar, Seberang Barat 22300 K. Besut	09-6902868	09-6902868
	ZT298	Mohd Fauzi B. Muda	Lot 28 Bdr Baru Kerteh 24300 Kerteh	019-9463673/ 09-8261220	

PAHANG

DC	C175	Hasnah Bt. Hasan	10 Tkt Bawah & Satu, Jln Sudirman 7, 28000 Temerloh	09-2966127/ 09-2774753 (R)	09-2966127
	C202	<i>Cni</i> Murad Bin Basir	B.58 Jln 1 M3/10 BIM Point, Bdr Indera Mahkota, Jln Kuantan 25200 Kuantan.	09-5732626/ 2628/ 013-9349897	09-5732636
	C203	Ooi Thian Lai	No 16 Jalan Anggerik 28400 Mentakab.	09-2771463/ 019-9551626	09-2771463
SP	ZC139	Ismail Bin Mohamed	Lot 20 Tkt 2 Jln Engku Muda Mansur 26600 Pekan	09-4269126/ 010-9176320/ 019-9525349	
	ZC230	Abdul Rahman Bin Talib	No 7 Gerai MDB, Atas Hentian Raya Bentong 28700 Bentong	09-2224120/ 016-3643240	
	ZC288A	Azmi Bin Yusof	No 2 Tmn Pantai Indah 26800 Kuala Rompin	09-4142536/ 019-9504360	
	ZC300	Jamiliah Bt Mohd Yusof	101A, Medan Niaga Bangungan MARA Jln Stesen 27200 Kuala Lipis	09-3122176/ 019-9661966	
	ZC327	Mohd Anuar Bin Sumiri	No27 Jalan Kerayong 3 Bdr Baru Bera, Keratong 28300 Triang	019-9204740	

DISTRIBUTION CENTRES & SALES POINTS

SARAWAK

	Code	Operator	Address / E-mail	Tel	Fax
DC	KUBR	Sarawak Branch	Lot 9392 Section 64 Kuching Town Land District 3 ¹ / ₂ Mile Jln Pending 93450 Kuching	082- 340619/ 340620/ 340621	082-345280
	SR82	Chua Beng Tiong	Lot 586, 1st Floor, Pelita Commercial Centre. Miri-Pujut Road 98000 Miri.	085-410117/ 085-410118 (R)	085-410117
	SR186	Vong Say Yin	302, 1st Floor, Lot 2754 Central Park Commercial Centre, Jln Tun Ahmad Zaidi Adruce 93150 Kuching.	082-424313/ 019-8182623	082-240192
	SR204	Affizah Kadri	Lot 9820 Sublot 4 Section 65 K.T.L.D. Jalan Semarak, Petra Jaya 93050 Kuching.	082-370439/ 012-8916100/ 012-8939897	082-413092
	SR206	Yew Phei Sing	189 Park City Commerce Square 97000 Bintulu.	086-310611/ 019-8151611	086-310611
	HC16	Sibu Service Centre	No 12, 1st Flr, Pusat Tanahwang, Jln Pedada 96000 Sibu.	084-348148/ 314723 (R)	084-348148
	SR234	Thien Siew Chiang	95B 1st Floor Jln Club 95000 Sri Aman	083-325313/ 019-8195313	083-325313
	SR235	Ramli bin Jack	No. 8, 1st Floor, Medan Universiti Lot 3688 Block 26 MTLD Sungai Segiting, Kota Samarahan 93450 Kuching, Sarawak	082-661897/ 013-8019897	082-673897
SP	ZSR104	Tan Chou Tee	6A 1st Flr, Jln Parry 98000 Miri	085-437578/ 012-8731200	085-437578
	ZSR155A	Mohd Rasdi Bin Mat	54-C, Kg Hillir 96000 Sibu.	084-332216/ 012-8819897	
	ZSR189A	Voong Shiah Fui	5A, Jln Hj. Karim 96100 Sarikei.	084-656397/ 084-656397	
	ZSR245A	Leong Kin Lee	78 Newtownship 96400 Mukah.	084-871297/ 013-8063268	
	ZSR 297	Sufian B. Mohamad Sahari	3513 Lrg. Cahya Aman 2F Tmn Puteri, Bdr. Baru Samariang, Jln Sultan Tengah 93050 Petra Jaya	013-8279897/ 082-410470	
	ZSR 302B	Mohd Rizal Rajinder B. Abdullah	Tingkat 1, Lot 1349, Jln Pandaruan Kg Bangkita, 98700 Limbang	085-215117	085-215117
	ZSR 303	Vincent Disun Sijore	1 Tkt 1 Market Serbaguna, Majlis Daerah Bau 94000 Bau	013-8236390/ 082-642089	
	ZSR309A	Wong Chui Ngik	Grd Flr 14 Lot 256 Jln Masjid Baru 98850 Lawas	019-8653693	
	ZSR325	Mohd Abu Zaid b Salleh	16 Lot 1864 Lorong 3 Tmn Lily, Jln Unak 95400 Saratok	017-2220133	
	ZSR329	Mohd Amin B. Abd. Rahman	13 Ladang Kosa, PO Box 661, 98007 Miri, Sarawak	085-739749/ 013-8363171	
	ZSR331	Ng Siaw Hoon	84, 1st Floor, Jln Bandar Serian 94700 Serian	012-890 3734	

SABAH

DC	SBBR	Sabah Branch	Lot C6 Lrg Tembaga Tiga Kaw MIEL KPIP, Jln Sepangar Menggatal 88450 KK.	088-491100/01/02	088-491105
	SB107	Ng Chee Yew	Lot 18 Tkt 2 Ribumi Complex Jln Masak Keningau 89000 Sabah	087-333715/ 335295 (R)/ 013-8726299	087-333715
	SB166	Lim Pui Heng	Ground Floor, MDLD 0156 Jalan Cempaka 91100 Lahad Datu.	089-881953	089-881953
	SB168	Lim Wei Leon	Lot 29 Block E 1st Flr, Jln Albert Kwok Sedco Complex Kg Air 88000 Kota Kinabalu.	088-247790/ 013-8604168	088-247789
	SB178	Helen Lau Sui Len	P. O. Box 22 J.K.R. 91207 Kunak.	089-852324/ 019-8433229	089-852324
	SB215	Wah Yun Yong @ Salmah	TB 999 Jalan Utara 91000 Tawau, Sabah	089-768154 /019-8033413	089-776867
	SB223	Abdul Basir B. Wahab	Lot 19 Bdr Pasaraya Batu 4 Jln Labuk PPM 10 Elopura 90000 Sandakan.	089-224868/ 012-4019897/012-8139897	089-211723
SP	ZSB170	Su Meau Huat	1st Floor, Ph II, Lot No 15 T mn Teo Ee, The Shopping Complex 89200 Tuaran	088-794928/ 013-8736636	088-794928
	ZSB281	Lahamah Bt. Albani	Lot3 Blk A, Bdr Baru Semporna 91308 Semporna	089-782 680/ 013-8984991	
	ZSB310	Kasmina Bt. Kassim	U 0053J, Jln Ujong Pasir, A10-1, Wisma Shore Service 87008 Wilayah Persekutuan Labuan	012-8202722/ 016-8811726	
	ZSB316A	Didacus Wong	Peti Surat 14 Pekan Tambunan 89657 Sabah	019-8021699	
	ZSB338	Junaidi Bin Patoh	Jln Player Block 17 Tingkat 1 APT.CI P.PJU 90307 Bandar Sandakan	089-229132/ 019-8208799/ 019-5835847	
	ZSB349	Mohd Zaini Bin Abu Hasan Shaari	No 36, Taman WTK, 89108 Kota Marudu	088-663915/ 013-3458351/ 013-5580917	
	ZSB361	Raymund Nicolas George	Lot 7 (1st Floor), Bolk A Donggongan Square, 89500 Penampang	088-731687/ 012-8282687/ 016-8350958	

BRUNEI

DC	BR212	Betty Ho Soo Mui	First Choice Enterprise, Simpang 88 Unit No.9, Block B, Ground Floor, Bangunan Begawan Pehin Hj Md. Yusof, Kampung Kiulap BE1518 Negara Brunei Darussalam. E-mail: fce212@brunet.bn	00673-2-237291/00673-2-237292 Cni Hotline : 00673-2-237291	00673-2-237294
	ZBR 336	Ahmad Faris B. Awang Hj Mohd Noor	No. 7 Blok D, Junjongan Industrial Park Simpang 2169 Kg. Junjongan Mukim Lumapas BH 2123 Brunei	00673-8644041	

SINGAPORE

		Peninsula Plaza Office	Creative Network International (S) Pte. Ltd. 111, North Bridge Road #15-01/#15-02 Peninsula Plaza, Singapore 179098 http://www.cni.com.sg/ e-mail: cnisg@singnet.com.sg	02-63320275	02-63377395
SP		Automobile Megamart Office	61, Ubi Avenue 2, #07-01/02/03 Automobile Megamart, Singapore 408898	02-68426888	02-68420770
	SSP 001	Goh Tiong Min	Blk 202 #01-1668 Ang Mo Kio Avenue 3, Singapore 560202	02-92370642	

PERLIS

	Code	Operator	Address / E-mail	Tel	Fax
DC	R150	Leong Seang Fook	95 Lot 342 Jln Jejawi Sematang Tmn Muhibbah Fasa 2 Jejawi 02600 Arau	04-9771288/ 019-4100355	04-9771289
SP	ZR317 ZR362	Amiza bt Azizan Law Ah Meng	No 2, Lorong Kekabu 2, Tmn Beseri Indah, 02400 Beseri. 518, Jln Sekolah Rendah Kebangsaan, 02100 Padang Besar.	019/4498401/ 019-4568200 04-9490554 04-9492554	

KEDAH

DC	K134 K213	Ong Bing Aim Hj. Abdul Basir Bin Wahab	70, Tkt 1, Lrg Semarak 3, Tmn Semarak, 09000 Kulim 13 Jln Simpang Kuala, Bdr Baru Simpang Kuala 05400 Alor Star.	04-4951564/ 016-4268052 04-7772916/ 012-4119897/ 012-4019897	04-4951828 04-7772915
	K219	Saeidi Bin Ismail	87 Persiaran Mutiara Pusat Dagangan Kelana Mas 07000 Langkawi.	04-9672460/ 012-4941460	04-9663460
	K221	Ruzitah bt Othman	Wisma Zainal Yusoff 7 Lengkok Cempaka 1 Persiaran Cempaka, Amanjaya 08000 Sg. Petani.	04-4419897/ 012-9871175/ 013-9339897	04-4428897
SP	ZK134 ZK186 ZK253 ZK261A ZK285 ZK323 ZK330	Saw Kin Sua Salmiah Bt Mansor Salmah Bt. Hamid Hamdi Bin Osman @ MD Ariffin Rohani Bt. Yusof Lailawati bt Sumairi Nazri Bin Ismail	3B Jln Satu, Pekan Jitra 2, 06000 Jitra. 1 Jln Sg Tiang 06700 Pendang. No 12 Kedai Koperasi Seberang Pekan Sik 08200 Sik, Kedah F284 Kg. Berapit 08600 Tikam Batu, Kedah No 3 Tingkat Satu, Tmn Serai Ria 09400 Padang Serai No H6 Tingkat 1 Pekan Baru Baling 09100 Baling 2D (Tingkat 2) Kompleks Niaga, Jln Yan, Pekan Guar, 08800 Guar Chempedak	04-7337867/ 04-9178771 04-7596755/ 017-4789897 04-4693645/ 013-3487616/ 012-5998744 013-4450285/ 013-3228887 012-4738410/ 017-4898420 013-4239606 019-3043773/ 019-4934673	04-7596755
	ZK333 ZK340 ZK342	Mohd Adi Zafri Bin Ali Zaini Bt. Hashim Mukmin Bin Mohd Rukun	No 49 Jln Jerai Maju 9 Taman Jerai Maju 08300 Gurun 69 Tmn Dato' Muslim 09300 Kuala Ketil 385 Lorong Kenangan 4/9 Tmn Kenangan, Sg. Karangan 09410 Padang Serai	012-5859377 04-4162589/ 012-4239897 04-4855513/ 019-443 4003	
	ZK343	Faridah Bt. Azis	3B, PLRKB 6/1A, Jln Kodiang, Gerai PKN Sehari Pekan Kodiang 06100 Kodiang	012-4278501	
	ZK346	Jambiah Bt. Ismail	39 Pekan Lama (Sebelah Mat Sirat Supermarket) Padang Mat Sirat, Kuah 07000 Langkawi	019-5598337/ 019-4499507	
	ZK347 ZK348	Siti Rawan Bt Ahmad Sharipah Bte Shafie	5 Pekan Changlon 2, 06010 Changlon 2 Taman Bandar Baru, Jln Pokok Sena 06400 Alor Setar	012-4932758/ 04-9246923 012-4096897	

PERLIS

DC	P103 <i>Chn</i> P216 <i>Chn</i> P238	Choo Keen Lian Lim Lee Hiang Loh Kong Wong	175 Perak Road 10150 Penang 22 Jalan Perai Jaya13700 Perai, Butterworth, Penang 27 Lintang Angsana, Bandar Baru Air Itam 11500 Penang.	04-2271092/ 2816718(R) 04-3986050 04-8286626	04-2271092 04-3984050 04-8279626
SP	ZP112 ZP131 ZP158 ZP344C	See Yock Choo Goh Guek Keow Nina Walis Choong Bt Abdullah Mohd Fadzil Bin Mohd Ali	19 Lrg Cermai 3, Tmn Sama Gagah 13500 Permatang Pauh, Butterworth. 10 Lrg Sg. Bakap Permai 5 Tmn Sg. Bakap Permai 14200 Seberang Perai Selatan 119 Jln Tun Dr Awang, Sg Nibong Kecil, Bukit Jambul 11900 Bayan Lepas. Gerai No. 8 Dataran Tuah Jln Besar MK6 11000 Balik Pulau	04-3906418/ 012-4286418 04-58388006/ 019-4494257 04-6449637/ 019-5657126 016-4099328	04-3902471

PERAK

DC	A16 A17 <i>Chn</i> A21 A111 A139 <i>Chn</i> A143 <i>Chn</i> A149	Kong Siew Weng Louise Cheng Sow Chin Kok Sau Kam Hooi Chee Ping Thomas Toh Lee Lian Hua Low Ah Ying	No 1, Jalan U1, Tmn Universiti, 35900 Tg Malim. 14 Jln Ghazali Jawi 31400 Ipoh (In Front Of Stadium) 17 Jln Wayang Gambar 34000 Taiping. 5F, Jalan Tranchell, Selayang Baru 31450 Menglembu. Sub 11A, Pandak Akhat 31000 Batu Gajah. Lot 12650, 1st Flr, Jln Changkat Jong 36000 Teluk Intan. S-23 Tmn Kampar 31900 Kampar.	05-4590029/ 4597469(R) / 012-5386669 05-5460393/ 012-5069339 05-8070981/ 012-5072686 05-2812108 05-3651268/ 016 -5311305 05-6217795/ 010-5564351 05-4664502/ 4651801(R)/ 012-5084631/ 012-5191688	05-4590029 05-5476032 05-8070981 05-2812108 05-3652268 05-6217795 05-4664502
	A170 A210 <i>Chn</i> A224	Ng Ah Fatt Kok Ah Mooi Shamsul Ali B. Harabayni	No 5 Taman Talang 33000 Kuala Kangsar. 23 Taman Sentosa, Jalan Lumut 32300 Sitiawan. 17A Medan Lagenda 1 Medan Lapangan Lagenda 31350 Jln Gopeng, Ipoh.	05-7763454 05-6911171 05-3111450/ 019-3262542	05-7763454 05-6911171 05-3111450
SP	ZA157 ZA181 ZA208 ZA213 ZA246 ZA249 ZA276 ZA345 ZA355	Lee Hock Soon Seti Eshah Bt. Ab. Rahman Fatimah Bt. Yahya Nurul Farhana Ong Bt. Abdullah Lee Sult Wool Hasni Bin Tajui Ariffin Suroeya Bt. Jabal Hisham Bin Salim Tan Ching Hio	29 Rumah Awam Manong 33800 Manong. 50 Hala Pulau Timur 7 Tmn Chandan Desa 31300 Simpang Pulai. No 20 Jln Tuna, Tmn Seri Tenggara 34200 Parit Buntar, Perak 3 Persiaran Pinji Selatan 8 Desa Pelancongan 31500 Lahat. 22 Tkt Satu, Jln Raja 35000 Tapah. No 17A, Medan Kemunting 2 Medan Kemunting 34600 Kemunting Taiping 43C Kg. Air Panas 33320 Grik 2 Jln Tawas Baru 3 Tmn Tasek Damai 30010 Chemor 33A Tmn Pantai Baru 34900 Pantai Remis Perak	05-7760914 05-3132517/ 019-5729627 05-7174373/ 017-4162414 05-3113996/ 012-5215428 05-4014033/ 016-5347633 019-4424462 012-5576804/ 05-5985810 05-2919897/ 019-5515518 05-6771369/ 012-4364086	05-7760914 05-3132517 05-7174373

I/We _____ NRIC/Co. No. _____
 (Full name in block letters)

of _____
 (Full address)

being a member of CNI HOLDINGS BERHAD, hereby appoint _____

_____ NRIC No. _____
 (Full name in block letters)

of _____
 (Full address)

*and/or failing him, _____ NRIC No _____
 (Full name in block letters)

of _____
 (Full address)

or failing *him/both, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Diamond Hall, First Floor, Wisma CNI, 2 Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 21 June 2007 at 10.00 a.m. or any adjournment thereof. My/our proxy shall vote as follows:

NO RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements and Directors' and Auditors' Reports for the year ended 31 December 2006		
2. To re-elect Dato' Koh Peng Chor as Director		
3. To re-elect Cheong Chin Tai as Director		
4. To re-elect Chew Boon Swee as Director		
5. To approve the payment of Directors' fees		
6. To re-appoint Messrs Moore Stephens as Auditors and to authorise the Directors to fix their remuneration		
7. To authorise the Directors to allot shares pursuant to Section 132D of the Companies Act, 1965		
8. To approve the proposed renewal of existing and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
9. To approve the proposed share buy-back		
10. To adopt the proposed amendments to the Articles of Association of CNI		

(Please indicate with an "X" in the space provided as to how you wish your vote to be cast. If you do not so indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.)

Dated this _____ day of _____ 2007

The proportion of my/our holding to be represented by my/our proxy/proxies are as follows:

	No. of Shares	Percentage
First Proxy	_____	%
Second Proxy	_____	%
Total		100%

Signature (s) / Common Seal of Member (s) _____

* Delete if not applicable

NOTES:

- A member may appoint a proxy to attend and vote in his stead. **Such proxy need to be a Member of the Company.**
- A member shall be entitled to appoint up to two (2) proxies. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's registered office at Wisma CNI, 2 Jalan U1/17, Seksyen U1, Hicom-Glenmarie Industrial Park, 40000 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
CNI HOLDINGS BERHAD

Wisma CNI, No 2, Jalan U1/17
Seksyen U1, Hicom-Glenmarie Industrial Park
40000 Shah Alam
Selangor Darul Ehsan

1st fold here