

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

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the First Quarter Ended 31 March 2010

	Individual Period		Cumulative Period	
	31-Mar-10 Unaudited RM '000	31-Mar-09 Unaudited RM '000	31-Mar-10 Unaudited RM '000	31-Mar-09 Unaudited RM '000
Continuing Operations				
Revenue	37,252	41,094	37,252	41,094
Operating profit	1,500	4,714	1,500	4,714
Financing costs	(6)	(8)	(6)	(8)
Interest income	177	228	177	228
Share of profit of associate	0	0	0	0
Profit before tax	1,671	4,934	1,671	4,934
Taxation	(634)	(1,254)	(634)	(1,254)
Profit for the period	1,037	3,680	1,037	3,680
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	1,037	3,680	1,037	3,680
Attributable to :				
Shareholders of the Company	1,012	3,685	1,012	3,685
Minority interests	25	(5)	25	(5)
Profit after tax for the period	1,037	3,680	1,037	3,680
Earnings per share(sen)				
Basic	0.14	0.51	0.14	0.51
Diluted	NA	NA	NA	NA

Notes :-

1) NA denotes "Not Applicable"

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2010

	Unaudited	Audited
	As at	As at
	31/03/2010	31/12/2009
	RM '000	RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	46,091	46,944
Capital work-in-progress	0	0
Investment properties	9,113	9,113
Investment in unquoted share	500	500
Intangible assets	98	98
Other intangible assets	2,650	2,695
Deferred tax assets	3,255	3,222
	<u>61,707</u>	<u>62,572</u>
Current assets		
Inventories	20,802	20,415
Receivables	9,380	9,980
Other receivables, deposits & prepayment	4,003	4,022
Short term investment	2,093	2,082
Tax assets	1,505	1,106
Cash and bank balances	38,857	40,836
	<u>76,640</u>	<u>78,441</u>
TOTAL ASSETS	<u>138,347</u>	<u>141,013</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	72,000	72,000
Treasury shares	(1,117)	(1,113)
Other reserves	(10)	7
Retained earnings	33,758	37,061
	<u>104,631</u>	<u>107,955</u>
Minority Interest	226	201
Total equity	<u>104,857</u>	<u>108,156</u>
Non-current liabilities		
Borrowings	135	116
Retirement benefit obligation	15,307	14,997
Deferred tax liabilities	2,457	2,457
	<u>17,899</u>	<u>17,570</u>
Current liabilities		
Trade Payables	2,982	1,879
Other Payables	12,292	12,804
Current tax payables	115	172
Provision & cont. Liabilities	198	249
Borrowings	4	32
Bank overdraft	0	151
	<u>15,591</u>	<u>15,287</u>
Total liabilities	<u>33,490</u>	<u>32,857</u>
TOTAL EQUITY AND LIABILITIES	<u>138,347</u>	<u>141,013</u>
Net Assets	104,857	108,156
Net Assets per share (RM)	0.15	0.15

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the First Quarter Ended 31 March 2010

	← Attributable to owners of the Company →					
	Share Capital RM '000	<-----Non Distributable-----> Treasury Share RM '000	Translation Reserve RM '000	Distributable Retained Earnings RM '000	Minority Interest RM '000	Total Equity RM '000
As at 1 January 2009	72,000	(986)	(5)	40,263	138	111,410
Foreign exchange translation difference			12	-		12
Total comprehensive income for the period				6,485	63	6,548
Purchase of treasury shares		(127)		-		(127)
Interim dividends				(9,687)		(9,687)
As at 31-Dec-09	72,000	(1,113)	7	37,061	201	108,156
As at 1 January 2010						
As previously Stated	72,000	(1,113)	7	37,061	201	108,156
Effect of changes in accounting policies-FRS139				(13)		(13)
As at 01-Jan-10 (restated and adjusted)	72,000	(1,113)	7	37,048	201	108,143
Foreign exchange translation difference			(17)			(17)
Total comprehensive income for the period				1,012	25	1,037
Purchase of treasury shares		(4)				(4)
Interim dividends				(4,302)		(4,302)
As at 31-Mar-10	72,000	(1,117)	(10)	33,758	226	104,857

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements

CNI HOLDINGS BERHAD (Company No.: 181758-A)

UNAUDITED CONDENSED STATEMENT OF CASH FLOW
For the First Quarter Ended 31 March 2010

	First Quarter Ended	
	31-Mar-10 (Unaudited) RM'000	31-Mar-09 (Unaudited) RM'000
Net cash generated from operating activities	2,728	6,859
Net cash (used in) /generated from investing activities	3,309	(6,920)
Net cash used for financing activities	(4,315)	(9,694)
Net (decrease)/increase in cash and cash equivalent	1,722	(9,755)
Effects of foreign exchange rate changes	(9)	51
Cash and cash equivalent at beginning of financial period	37,144	43,929
Effects of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalent at end of financial period	<u>38,857</u>	<u>34,225</u>

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

	As at 31-Mar-10 RM'000	As at 31-Mar-09 RM'000
Cash and bank balances	7,228	6,705
Cash deposits with licensed banks	31,629	27,520
Bank overdraft	0	0
Cash and cash equivalents	<u>38,857</u>	<u>34,225</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

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

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the annual audited financial statements of the Group for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

A2. Accounting Policies

The accounting policies applied are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2009 except for the adoption of new standards, amendments to standards and IC interpretations that are mandatory for the Group for the financial year beginning 1 January 2010. The adoption of these standards, amendments and interpretations do not have a material impact on the interim financial information of the Group. The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

- (a) Presentation of financial statements (FRS 101 (revised) “Presentation of financial statements”)

The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in one statement.

CNI Holdings Berhad (Company No : 181758-A)

Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

- (b) Financial assets (FRS 139 “Financial instruments: Recognition and Measurement”)
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. Set out below are the major changes in classifications of financial assets of the Group:

(i) Available-for-sale financial assets

Non-current investments, previously measured at cost and subject to impairment, are now classified as available-for-sale financial assets. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale debt securities denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income. If there is any objective evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Changes in fair values of available-for-sale equity securities are recognised in other comprehensive income, together with the related currency translation differences. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through profit or loss.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

(ii) Loans and receivables

Non-current receivables, previously measured at invoice amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(iii) Fair value through profit or loss

Derivative financial instruments were not previously recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in profit or loss at each reporting date.

The Group has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings. Comparatives are not restated.

The adoption of other interpretations and revisions to existing FRSs, IC Interpretations and Amendments mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

A3. Auditors' Report on Preceding Annual Financial Statements

There was no audit qualification on the auditors' report of the Company's audited financial statements for the financial year ended 31 December 2009.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

A4. Seasonal or Cyclical Factors

The group's performance is affected by seasonal or cyclical events on quarter-to-quarter basis; the demand may be skewed towards the major festivities such as Hari Raya Puasa and Chinese New Year, which normally occur at the beginning and end of the calendar year. This pattern is in line with the forecast and expectation of the Group.

A5. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence during the quarter under review.

A6. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the first quarter ended 31 March 2010.

A7. Debts and Equity Securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review:-

The Company bought back from the open market, 20,000 ordinary shares of RM0.10 each of the Company ("CNI Shares") at an average buy-back price of RM0.235 per share. The total consideration paid, including transaction costs, was RM4,746.41 and it was financed by internally generated funds. The CNI Shares bought back were being held as treasury shares in accordance with Section 6A of the Companies Act, 1965.

As at 31 March 2010, the number of treasury shares held was 2,929,200 CNI Shares.

A8. Outstanding derivatives

The Group had not entered into any type of derivatives in the current quarter that was not disclosed in the preceding year's annual financial statements.

A9. Fair value changes of financial liabilities

As at 31 March 2010, the Group does not have any financial liabilities measured at fair value through profit or loss.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

A10. Dividends Paid

No dividends were paid during the quarter under review.

A11. Segmental Information

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

	Current Quarter		Year to-date	
	Revenue	Result	Revenue	Result
	31-Mar-10	31-Mar-10	31-Mar-10	31-Mar-10
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue				
Marketing & Trading	34,837	1,327	34,837	1,327
Manufacturing	10,779	1,315	10,779	1,315
Investment holding	5,903	4,157	5,903	4,157
Food and beverage outlets	992	(568)	992	(568)
Inter-segment elimination	(15,259)	(4,560)	(15,259)	(4,560)
	<u>37,252</u>	<u>1,671</u>	<u>37,252</u>	<u>1,671</u>
Taxation		(634)		(634)
Minority Interest		(25)		(25)
Profit for the period		<u>1,012</u>		<u>1,012</u>

A12. Valuations of Property, Plant and Equipment

The property, plant and equipment, which are stated at revalued amounts, have been brought forward without amendments from the audited financial statements for the financial year ended 31 December 2009.

A13. Events Subsequent to the End of the Period

Save as disclosed in Note B8, there were no material events subsequent to the reporting period up to 27 May 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), which have not been reflected, in the financial statements for the quarter under review.

A14. Change in Group / Capital Structure

There were no material changes in the composition of the Company/Group including business combination, acquisition or disposal of subsidiaries and long-term investment, restructuring & discontinuing operations during the quarter under review.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

A15. Contingent Liabilities

As at the date of this announcement, there were no material contingent liabilities and contingent assets incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A16. Capital Commitments

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

	Year to-date 31-Mar-10 (RM'000)
In respect of capital expenditure approved and contracted for :-	
Purchase of property, plant and equipment	890
Acquisition of computer software	341
	<hr/> <hr/> 1,231

A17. Related Party Transactions

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

Related Parties	Amount (RM)
<u>CNI Corporation Sdn Bhd</u>	
Rental revenue received and receivable	(69,990)
Management fee paid and payable	99,090
Sales received and receivable	(2,675)
IT and eCommerce related services	(130,142)
<u>CNI Venture Sdn Bhd</u>	
Rental revenue received and receivable	(29,100)
Research and development expenditure paid and payable	115,530
Provision of microbiological test received and receivable	(224)
<u>Citra Nusa Insancemerlang Investment Co.</u>	
Patent fee paid and payable	20,386

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

<u>PC Marketing Sdn Bhd</u>	
Rental charge paid and payable	21,000
<u>CNI Enterprise (India) Private Ltd.</u>	
Sales received and receivable	(2,796)
<u>Leader Regent Inc</u>	
Sales received and receivable	(1,020,450)
<u>CNI IPHC</u>	
Trademark fee paid and payable	50,903
<u>CNI Hong Kong Ltd.</u>	
Sales received and receivable	
Purchase paid and payable	22,126
<u>CNI (China) Co. Ltd. (Formerly known as Qingdao CNI Food Products Co. Ltd.)</u>	
Purchase of goods and raw material	91,107
<u>Yayasan CNI</u>	
Rental revenue received and receivable	(2,400)
Sales received and receivable	(787)
IT and eCommerce related services	(7,750)
<u>Sepang Goldcoast Sdn Bhd</u>	
Sales received and receivable	(34,526)
<u>Fortune Venture Inc</u>	
Sales received and receivable	(738,422)

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

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

For the reporting quarter, the Group's recorded revenue of RM37.3 million as compared to RM41.1 million in the preceding year corresponding quarter. The Group revenue were mainly contributed by sale and distribution of health care and consumer products, and contract manufacturing.

The Group achieved a profit before taxation ("PBT") and profit after taxation ("PAT") of RM1.7 million and RM1 million respectively for the reporting quarter, compared to RM4.9 million and RM3.7 million respectively in the preceding year corresponding quarter.

B2. Material Changes in the Quarterly Results Compared to the Results of the Immediate Preceding Quarter

For the current quarter under review, the Group recorded a PAT of RM1 million, compared to RM0.7 million in the immediate preceding quarter. The higher PAT compared to preceding quarter was mainly due to stock written off in the immediate preceding quarter.

B3. Prospects

The Group's focus will remain in streamlining its resources, increasing productivity and reducing risks throughout. Continuous check and balance on all business aspects while maintaining the highest efficacy has been the priorities of the Group.

The Management is constantly looking at new ways and methods to improve its direct selling business which still has a lot of room to grow. Newly improved channels of sales such as the upcoming eSP concept which maximizes efficiency and mobility for Sales Point operators will be implemented gradually starting in the second quarter of 2010. The recently introduced Consumer Incentive Programme (CIP) has just been enhanced to further inspire members to achieve higher sales.

Expansion for the direct selling business will be more aggressive in 2010 as more retail outlets will be introduced around community-based commerce areas such as the likes of IOI Boulevard, Puchong. Suburbs around Klang Valley and major cities around the country will be targeted as the main potential catchment especially for CNI's consumerism second-tiered market segments.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

The manufacturing unit expects its export and external contracts to increase this year as orders from Australia, China, Nepal and Nigeria are expected to be finalized. Subsequently, its manufacturing capacity will also be optimized.

As for its trading business, the Group is fully assured that its growth will be consistent and steady. Besides, ensuring better pricing to support the Group, the business unit will grow its services to be a full-fledge trading supplier to include external servicing.

Improving service standards and breaking into new markets as well as safeguarding margins appropriately will sustain CNI and uphold its brand name in the future.

The need to remain cautious and vigilant is still the priority and the management acknowledges this.

The prospect for CNI is still encouraging and upbeat. Our beliefs in our people and our rudiments are strong and that we will be able to overcome much looking forward.

B4. Variances from Profit Forecasts

Not applicable as the Group did not publish any profit forecast and profit guarantee.

B5. Taxation

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

	Current Quarter	Year to-date
	31-Mar-10	31-Mar-10
	RM'000	RM'000
Current quarter/ year	667	667
Transfer to/(from) deferred taxation	(33)	(33)
	<u>634</u>	<u>634</u>

B6. Sale of unquoted investment and/or properties

There were no sales of unquoted investments and/or properties during the quarter under review.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

B7. Purchase and Disposal of Quoted Securities

There is no investment in quoted shares, excluding subsidiaries and associates, during the quarter under review.

B8. Status of Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at 27 May 2010 (the latest practicable date which is not earlier than 7 days from the date of this quarterly report):-

On 26 April 2010, the Board had announced that the Company proposes to seek approval from its shareholders at the forthcoming Annual General Meeting on the following:-

- (a) renewal of shareholder mandate and new shareholder mandate for recurrent related party transactions of a revenue or trading nature; and
- (b) renewal of share buy-back authority.

B9. Group Borrowings and Debt Securities

	Year to-date 31-Mar-10 (RM'000)
Short term borrowing (Secured)	4
Long term borrowing (Secured)	135
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	139
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B10. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 27 May 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B11. Material Litigation

Neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the Group's financial position or business, and the Directors are not aware of any proceedings, pending or threatened, against the Company and/or any of its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the Group's financial position or business.

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Unaudited Financial Results of the Group for the First Quarter Ended 31 March 2010

B12. Dividend Payable

During the financial quarter ended 31 March 2010, the Board had declared an interim dividend of 0.8 sen per ordinary share less 25% income tax in respect of the financial year ended 31 December 2009, amounting to RM4,302,425 which has been paid on 8 April 2010.

B13. Earnings Per Share

(a) Earnings per share

The basic earnings per share for the current quarter under review and cumulative year to-date are computed as follow:-

	Current Quarter 31-Mar-10	Current Year to-date 31-Mar-10
Profit attributable to the equity holders of the Parent (RM'000)	1,012	1,012
Weighted average number of ordinary share ('000)	717,091	717,091
Basic earnings per ordinary share (sen)	0.14	0.14

(b) Diluted earnings per share

There were no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter.

By order of the Board,
CNI HOLDINGS BERHAD

Dato' Koh Peng Chor
Group Executive Chairman & CEO
Date: 27 May 2010