5. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE

5.1 Opening and Closing of Applications

The deadline for receipt of the application for the Public Issue/Offer for Sale is 8.00 p.m. on 14 March 2003 or such other date or dates as the Directors of CYL and the Offerors may in their absolute discretion mutually decide.

5.2 Indicative Time-table

The indicative timing of events leading up to the Listing is set out below:

Event	Date
Opening of Application for the Issue Shares and Offer Shares	28 February 2003
Closing of Application for the Issue Shares and Offer Shares	14 March 2003*
	Tentative Date
Balloting date for applications for the Issue Shares	End March 2003
Allotment of the Issue Shares and Offer Shares to successful applicants	Early April 2003
Listing date	Mid April 2003

Note:

* *The application for the Public Issue and Offer for Sale will close at the time and date as stated above or such other date or dates as the Directors of CYL and the Offerors may in their absolute discretion mutually decide.*

5.3 Details of the Public Issue and Offer for Sale

The Public Issue and Offer for Sale are subject to the terms and conditions of this Prospectus and upon acceptance, the Issue/Offer Shares will be allocated in the following manner:

(i) Private Placement

3,258,000 of the Issue Shares and 7,142,000 of the Offer Shares have been reserved for private placement to identified investors, of which at least 30% is to be placed, to the extent possible, to Bumiputera investors.

(ii) Eligible Employees, Customers and Suppliers of the CYL Group

1,600,000 of the Issue Shares have been reserved for eligible employees, customers and suppliers of the CYL Group. Any Issue Shares not allocated to eligible employees, customers and suppliers of the CYL Group will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

(iii) Malaysian Public

3,000,000 of the Issue Shares will be available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

(iv) Approved Bumiputera Investors

2,357,400 of the Offer Shares have been reserved for Bumiputera investors approved by MITI.

The Issue/Offer Shares in respect of Sections 5.3 (i) and (iv) above need not be and will not be underwritten. The identified investors have provided irrevocable undertakings to subscribe for the Issue Shares and Offer Shares in respect of Section 5.3(i). The Issue Shares in respect of Sections 5.3 (ii) and (iii) above have been fully underwritten by the Underwriter. Details on the brokerage, underwriting commission and placement fee relating to the Public Issue and Offer for Sale are set out in Section 5.8 of this Prospectus.

Any Issue Shares in respect of Section 5.3 (ii) above not taken up by eligible employees, customers and suppliers of the CYL Group will be made available for application by Malaysian citizens, companies, co-operatives, societies and insitutions.

The minimum subscription to be raised from the Public Issue is RM5,107,700.

5.4 Details of Allocation to Eligible Employees, Customers and Suppliers of the CYL Group

The Issue Shares which have been reserved for eligible employees, customers and suppliers of the CYL Group as mentioned above are allocated based on the following criteria:

(i) the designation and length of service of the eligible employees who are confirmed employees of the CYL Group as at 31 December 2002 (excluding Directors of the CYL Group, major shareholders of CYL and/or persons connected to them). Based on these criteria, there are 293 employees who are eligible to subscribe for the reserved Issue Shares; and

(ii) the length of relationship and value of transaction of the customers and suppliers of the CYL Group as at 31 January 2002 (excluding persons connected to the Directors of the CYL Group and the major shareholders of CYL). Based on the above criteria, there are 41 customers and suppliers of the CYL Group who are eligible to subscribe for the reserved Issue Shares.

Any Issue Shares not subscribed by the eligible employees, customers and suppliers of the CYL Group will firstly be made available for excess application by the other eligible employees, customers and suppliers of the CYL Group and in the event of undersubscription, will then be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

5.5 Purposes of the Public Issue and Offer for Sale

The purposes of the Public Issue and Offer for Sale are as follows:

(i) To provide the Company access to the capital market to raise funds for future expansion, diversification, modernisation and the continuing growth of the Group;

(ii) To provide an opportunity for Bumiputera investors, identified investors, eligible employees, customers and suppliers of the CYL Group and the Malaysian public to participate in the continuing growth of the CYL Group by way of equity participation;

(iii) To obtain listing of and quotation for the entire issued and paid-up ordinary shares of CYL on the Second Board of KLSE; and

(iv) To raise proceeds for the items as stated in Section 5.7 of this Prospectus.

5.6 Pricing of the Issue/Offer Shares

The Issue/Offer price of RM0.65 per Issue/Offer Share was determined and agreed upon by the Company and CIMB as Adviser and Underwriter based on various factors, including but not limited to the following:

(i) the Group's financial and operating history and conditions as described in Section 7 of this Prospectus;

(ii) the Group's consolidated profit estimate and forecast for the financial years ended/ending 31 January 2003 and 2004 as set out in Section 14 of this Prospectus;

(iii) the industry overview, future plans, strategies and prospects of the Group as described in Section 7.6 of this Prospectus; and

(iv) the Group's proforma consolidated NTA per share (after the Share Split, Acquisition of PJP, Public Issue and deducting estimated expenses of RM1.6 million) of RM0.54 as at 31 August 2002.

However, investors should also note that the market price of CYL's shares upon the Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of CYL's shares being traded. Investors should form their own views on the valuation of the Issue/Offer Shares before deciding to invest in the Issue/Offer Shares.

5.7 Utilisation of Proceeds

The total gross proceeds of RM5,107,700 arising from the Public Issue will be utilised in the following manner:

	Note	RM 000
Repayment of bank borrowings	(i)	2,053
Working capital		1,455
Estimated listing expenses	(ii)	1,600
		5,108

Notes:

(i) Approximately RM2.053 million from the total gross proceeds will be utilised within three (3) months from the date of Listing for the repayment of the Group's bank borrowings. Details of the borrowings to be repaid are as follows:

Bank	***Facility***	***Date drawdown***	***Purpose of utilisation***	***Interest rate per annum %***	***Estimated amount out-standing as at 14.02.03 RM 000***
Bumiputra-Commerce Bank Berhad	*Term Loan*	*December 1996*	*To part finance the purchase of a detached two storey office building annexed with a single storey factory at Shah Alam, Selangor Darul Ehsan*	*BLR + 1.50% p.a.*	*595*

5. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE *(Cont'd)*

Bank	*Facility*	*Date drawdown*	*Purpose of utilisation*	*Interest rate per annum %*	*Estimated amount out-standing as at 14.02.03 RM 000*
Bumiputra-Commerce Bank Berhad	*Term Loan*	*March 2000*	*To finance the purchase of two (2) machineries and moulds to produce plastic packaging products*	*BLR + 1.50% p.a.*	*1,178*
Citibank Bhd	*Term Loan*	*October 2000*	*To finance the purchase of machinery*	*COF + 1.50% p.a.*	*162*
Citibank Bhd	*Term Loan*	*December 2000*	*To finance the purchase of machinery*	*COF + 1.50% p.a.*	*118*
					2,053

Notes:

COF - *cost of fund*

BLR - *base lending rate*

p.a. - *per annum*

In the event the amount of bank borrowings outstanding at the redemption date is less than that stated above (due to the continual repayment of the borrowings according to their repayment schedule), the excess proceeds will be utilised for working capital purposes.

(ii) *The estimated expenses and fees, including brokerage, underwriting commission and placement fee relating to the Issue Shares, incidental to the Listing amounting to approximately RM1.6 million will be borne by the Company and is expected to be paid within three (3) months from the date of Listing.*

Out of the RM1.6 million estimated listing expenses, approximately RM750,000 is provided for fees for professional services rendered by advisers and experts.

The total gross proceeds from the Offer for Sale of RM6,174,610 arising from the Offer for Sale shall accrue entirely to the Offerors and no part of the proceeds of the Offer is receivable by CYL. All expenses, including brokerage and placement fees relating to the Offer Shares, shall be borne by the Offerors.

5.8 Brokerage, Underwriting Commission and Placement Fee

Brokerage relating to the Issue Shares will be borne by the Company at the rate of one percent (1%) of the Issue price of RM0.65 per share in respect of successful applications bearing the stamp of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Underwriter mentioned in Section 1 of this Prospectus has agreed to underwrite 4,600,000 of the Issue Shares which are available for application by the Malaysian public as well as eligible employees, customers and suppliers of the CYL Group. Underwriting commission is payable by the Company at the rate of 2.5% of the issue price of RM0.65 per share underwritten.

The Company and/or the Offerors will pay to the Placement Agent mentioned in Section 1 of this Prospectus placement fee at the rate of up to 2.5% of the Issue/Offer price for 3,258,000 of the Issue Shares and 7,142,000 of the Offer Shares to be sold under the Public Issue/Offer for Sale respectively.

5.9 Underwriting Agreement

An underwriting agreement was entered into between the Company and the Underwriter on 18 February 2003 to underwrite 4,600,000 of the Issue Shares under the Public Issue for an underwriting commission of 2.5% of the Issue Price.

The salient terms of the Underwriting Agreement are summarised as follows:

(1) The obligations of the Underwriter hereunder are also conditional upon:

(a) the Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect, of a resolution of the Board of the Company:

(i) approving the Prospectus, the Underwriting Agreement and the transactions contemplated by it;

(ii) authorising the issuance of the Prospectus; and

(iii) authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;

(b) there not having been, on or prior to the closing date, any adverse or material change or any development reasonably likely to involve a prospective adverse or material change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the proposed Public Issue and the proposed Offer for Sale, nor the occurrence of any event or the discovery of any facts/circumstances rendering untrue or incorrect to an extent which is material as aforesaid any representations or warranties contained hereof as though they had been given or made on such date;

(c) the delivery of the Prospectus to the SC and the Companies Commission, for registration and lodgement, respectively, in accordance with the requirements of Section 42 of the Securities Commission Act, 1993 and the Companies Act, 1965, together with copies of all documents as may be required by the aforesaid legislation; and the issue by the SC of the relevant certificate of registration prior to the issuance of the Prospectus;

(d) the issue, offering and subscription of the Issue Shares under the issue to Malaysian public and eligible employees, customers and suppliers of the CYL Group in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the KLSE);

(e) all necessary approvals and consents required in relation to the issue to Malaysian public and eligible employees, customers and suppliers of the CYL Group, including but not limited to, shareholders and governmental approvals having been obtained and are in full force and effect and all conditions precedent to such approvals and consents (except for any which can only be complied with after the proposed Public Issue, proposed Offer for Sale and proposed Listing have been completed) having been complied with;

(f) the Underwriting Agreement having been signed by all parties hereto and stamped prior to the issuance of the Prospectus; and

(g) the issue of the Prospectus no later than one (1) month from the date of the Underwriting Agreement or such later date as the Underwriter and the Company may from time to time agree in writing.

(2) If any of the conditions precedent set forth in clause 3.1 are not satisfied on or before the closing date, unless otherwise provided under each condition precedent, the Underwriter shall thereupon be entitled to terminate the Underwriting Agreement by giving notice of termination in writing to the Company and in that event (except for the liability of the Company for the payment of the underwriting commission, costs and expenses as provided in clause 6 and clause 7 and any rights and liabilities of the Company and/or the Underwriter under clauses 4 or 5) the parties hereto shall be released and discharged from their respective obligations hereunder save and except for any antecedent breaches provided that the Underwriter may at its discretion, to the extent permissible by law, waive compliance with any of the conditions precedent in clause 3.1, and any condition precedent so waived shall be deemed to have been satisfied in relation to it.

(3) Notwithstanding anything herein contained, if in the reasonable opinion of the Underwriter:

(a) there shall have occurred or happened any of the following circumstances :

(i) any material change or development involving a prospective change in national or international monetary, financial, political or economic conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates in Malaysia and overseas) or foreign exchange controls or currency exchange rates or the occurrence of any combination of any of the foregoing; or

(ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents),

which would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or operations of the Group, the issue and offering of the underwritten shares or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms;

(b) there is any material breach by the Company of any term (including, representations, warranties and undertakings) of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in any notice given to the Company;

(c) there is failure on the part of the Company to perform any of its material obligations herein contained; or

(d) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement,

then the Underwriter may terminate the Underwriting Agreement, cancel and withdraw its commitment hereunder, by giving written notice to such effect to the Company before the closing date.

(4) Upon any such notice(s) being given pursuant to clause 8.1, the Underwriter shall be released and discharged from its obligations hereunder whereupon the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement save and except (i) for any antecedent breach by any party; and (ii) the Company shall remain liable in respect of its obligations and liabilities under clauses 4, 6 and 7 incurred prior to or in connection with such termination.

(5) Notwithstanding anything to the contrary herein, the Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing served on the Company in the event:

(a) the approval of KLSE for admission to the Official List of the Second Board of the KLSE, for permission to deal in and for the listing of and quotation for the enlarged issued and paid-up share capital of the Company on the Second Board of the KLSE ("KLSE Approval") is not procured within six (6) weeks from the date of the issue of the Prospectus (or such longer period as may be specified by the SC); or

(b) the KLSE Approval is withdrawn; or

(c) the listing of the Company on the Second Board of the KLSE is aborted subsequent to the procurement of the KLSE Approval;

and upon such termination, the respective liabilities and obligations of the Company and the Underwriter hereunder shall become null and void and neither party shall have a claim against each other save that the Underwriter shall be entitled to the return of the amount for the unsubscribed underwritten shares paid by the Underwriter under the underwriting application (if the same has been paid by the Underwriter pursuant to clause 2.4) within three (3) market days from the date of the written notice given by the Underwriter to the Company or within a reasonable period if the Company is required to undertake a capital reduction exercise as a result of the termination of the Underwriting Agreement under clause 6A.1, and the Company shall, on the receipt by the Underwriter of the said amount, be entitled to cancel the unsubscribed underwritten shares which are credited to the securities account of the Underwriter pursuant to clause 2.6 (if the unsubscribed underwritten shares have been so credited).

5.10 Placement Agent Agreement

A Placement Agent Agreement was entered into between the Placement Agent, and the Company and the Offerors respectively 4 December 2002 for placement of 3,258,000 of the Issue Shares and 7,142,000 of the Offer Shares for a placement fee of at the rate of up to 2.5% of the Issue/Offer price for 3,258,000 of the Issue Shares and 7,142,000 of the Offer Shares to be sold under the Public Issue/Offer for Sale respectively.

6. RISK FACTORS

Investment in securities listed or to be listed on the KLSE involves a number of risks. Investors should rely on their own evaluations prior to making an investment decision. The following are some of the risk factors (which may not be exhaustive) which the applicants for the Issue/Offer Shares should carefully consider, in addition to other information contained elsewhere in this Prospectus, before applying for or investing in the Issue/Offer Shares. The order in which the risk factors are presented herein should not be construed as the ranking of such risk factors.

6.1 No Prior Market for CYL's Shares

Prior to the Listing, there was no public market for CYL's shares. There can be no assurance that an active market for CYL's shares will develop upon the Listing or, if developed, that such market will be sustained. There is also no assurance that the Issue/Offer price will correspond to the price at which CYL's shares will trade upon or subsequent to the Listing. The issue price of RM0.65 per Issue/Offer Share was determined after taking into consideration a number of factors, including but not limited to those set out in Section 5.6 of this Prospectus. The price at which CYL's shares will trade on the Second Board of KLSE upon or subsequent to the Listing will be dependent upon market forces beyond the control of the Company.

6.2 Delay in or Abortion of the Listing

The occurrence of any one or more of the following events may cause a delay in or abortion of the Listing:

(a) the Bumiputera investors approved by the MITI fail to subscribe to the portion of Offer Shares allocated to them;

(b) the identified investors fail to subscribe to the portion of Issue/Offer Shares to be placed to them;

(c) the Underwriter exercising its rights to terminate the Underwriting Agreement pursuant to the terms and conditions as set out in the Underwriting Agreement; or

(d) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each, of which at least 500 shareholders are members of the public who are not employees of the Group at the point of Listing.

Although the Directors of CYL and the Offerors will endeavour to ensure compliance by CYL of the various listing requirements, including, inter-alia, the Bumiputera equity condition pursuant to the National Vision Policy and the public spread requirement imposed by the SC and KLSE, for a successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

6.3 Admission to the Official List of KLSE Not Granted

The CYL Shares are currently not listed on the KLSE or any other stock exchanges. An application will be made to the KLSE within three (3) market days from the date of this Prospectus for admission to the Official List of the KLSE and for the listing of and quotation for the entire issued and fully paid-up share capital of the Company on the Second Board of KLSE, including the Issue Shares and Offer Shares. Acceptance of applications will be conditional upon permission being granted by the KLSE accordingly within six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided the Company is notified by or on behalf of KLSE within the aforesaid timeframe. As such, monies paid in respect of any applications accepted will be returned without interest if the said permission is not granted within the aforesaid timeframe.

6.4 Share Price may be Volatile

The price of the CYL Shares may fluctuate as a result of variations in its operating results. If the trading volume of the CYL Shares is low, the price fluctuation may be exacerbated, particularly as no stabilising transactions can or will be undertaken in respect of the CYL Shares in connection with this Listing exercise or thereafter. The price of the CYL Shares, as are typical of other companies' shares, are also prone to changes in securities analysts' estimates of its financial results or recommendations.

6.5 Ability to Realise Dividends from its Subsidiary

The Company conducts all of its operations through its only subsidiary, PJP. Accordingly, an important source of the Company's income, and consequently an important factor in the Company's ability to pay dividends on the CYL Shares, is dividends and other distributions received from its subsidiary. The Company's and its subsidiary's ability to pay dividends or make other distributions are subject to restrictions contained in their loan agreements, adequate Section 108 tax credit and to their having sufficient funds which are not needed to fund their operations, other obligations or business plans. As the Company is a shareholder of its subsidiary, its claims as such will generally rank junior to all other creditors and claimants against its subsidiary. In the event of the subsidiary's liquidation, there may not be sufficient assets for the Company to recoup its investment.

6.6 Further Sale or Possible Sale by its Shareholders

Following this Listing exercise, 25,100,000 ordinary shares of the Company, or 25.1%, will be publicly held by investors participating in this Listing exercise. These 25,100,000 ordinary shares will be tradable on the Second Board of KLSE without any restriction following its listing. The remaining 74,900,000 ordinary shares in the Company, or 74.9%, will be held by the Company's substantial shareholders, namely Chen Yat Lee, Lau Kim Lian and Tan Sri Abu Talib bin Othman. If the substantial shareholders sell or are perceived as intending to sell a substantial amount of the ordinary shares, the market price for the Company's ordinary shares may be adversely affected.

To defer this risk and in compliance with the SC's Policies and Guidelines on Issue/Offer of Securities, certain shareholders in the Company, namely Chen Yat Lee and Lau Kim Lian, are agreeable to have a part of their shares be held under moratorium. Please refer to Section 10.2 of this Prospectus for details on the moratorium.

6.7 Control by Certain Shareholders

Following the Public Issue and Offer for Sale, Chen Yat Lee and his spouse, Lau Kim Lian, will collectively own 55% of the Company's issued and paid-up share capital and hence will jointly be the controlling shareholders of the Company. They will be able to jointly control the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

6.8 Supply and Cost of Raw Materials

For the financial year ended 31 January 2002, CYL sourced approximately 77% of its raw materials of plastic resin locally from several suppliers, whilst the remaining 23% were imported from Singapore and Germany. It does not foresee any difficulty in the procurement of the raw materials in view that it sources its supplies from several suppliers. Although the bulk of the Group's purchases of plastic resins comes from the several suppliers as disclosed in Section 7.4.6 of this Prospectus, there are many other suppliers in the market. Plastic resin is a competitive commodity and is available in both the local and international markets. Thus the Group is not constrained to purchasing from the above mentioned suppliers only. The cost of plastic resins account for a significant portion of the Group's total manufacturing cost and as such, any changes in the cost of plastic resins arising from, inter alia, shortage of supply, outbreak of war and escalating price of crude oil, may have a material effect on the Group's profits. Although the Directors are confident that any increase in its production costs can be passed on to its customers, no assurance can be given that any change to these factors will not have material adverse impact on the Group's business.

6.9 Dependence on a Small Number of Customers

The Group's top ten (10) customers accounted for approximately 75% of the Group's revenue for the financial year ended 31 January 2002, whilst its single largest customer, BP Malaysia Sdn Bhd together with Castrol (Malaysia) Sdn Bhd (*now known as AsPac Lubricants (Malaysia) Sdn Bhd*), accounted for 22.09% of the total revenue. No assurance can be given that the loss of any one or more of these customers resulting from, inter alia, relocation of customer's business operation geographically or cessation of business relations, would not adversely impact on the Group's operating results.

6.10 Absence of Long Term Contractual Agreements with Customers and/or Suppliers

Customers

CYL Group currently has three (3) supply agreements with its customers, namely Smithkline Beecham Sdn Bhd, Petroliam Nasional Berhad and BP Malaysia Sdn Bhd. There is no assurance that the business or performance of the Group will not be materially affected if the supply agreements are not renewed or extended.

Suppliers

There are no long term contractual agreements between the CYL Group and its suppliers. The major raw materials utilised by the Group is plastic resins which is abundantly available both locally and internationally. The large number of suppliers competing in the industry has discouraged the CYL Group from entering into any long term contracts with its suppliers. This is to preserve the price competitiveness of the supplies and to take advantage of the competition amongst the suppliers.

6.11 Fluctuations in Selling Prices of Plastic Products

Fluctuation in price is a normal occurrence in industries where supply and demand are the main determinants of price. But with foresight, experience and good marketing and business strategies, the adverse impact of any price fluctuation can be minimised. The Group produces a wide range of products to meet its customers' requirements. The Group has a diverse range of customers who operate in different industries such as the motor lubricant, pharmaceutical, toiletries, cosmetics, household detergents, food, household products and personal care products industries. Hence, the Group's risks are minimised should any product or market suffer from a decline in selling prices or demand. Bulk purchases of raw materials are also favoured, as these will entail bulk discounts and savings in handling and administration costs. Although the Group seeks to limit this risk in the above manner, no assurance can be given that any change to these factors will not have material adverse impact on the Group's business.

6.12 Foreign Market Risk

For the financial year ended 31 January 2002, approximately 2% of the Group's products were exported to Singapore, Australia and South Africa while 23% of its raw materials of plastic resins were imported from Singapore and Germany. As such, the Group's future growth and level of profitability is expected to be also linked to the political and economic development of these countries, where some of the Group's customers and suppliers, direct or indirect, are located. The future growth of these economies may be affected by changes in inflation, interest rates, taxation and other political, economic or social developments. In addition, CYL's results will also be subject to fluctuations in foreign currency value of the USD in the event that the fixed exchange rate of USD1.00 to RM3.80 imposed by Bank Negara Malaysia since September 1998 is no longer maintained by the Government.

6.13 Competition

The Group's business faces competition from its competitors who may expand their business substantially. There is no certainty that the Group will be able to maintain its existing market share in the future. Nevertheless, the Group has been in the business for more than 20 years and has successfully built up a strong relationship with its customers, many of whom are multinational companies. The Group maintains its competitive advantage by ensuring prompt delivery, consistent quality and price competitiveness of its products. The Group is also continuously looking at ways to improve on its production processes in order to increase efficiency.

Further details on the competitive nature and intensity of the industry including the key players of the industry is set out in paragraphs 9 and 10 of Section 22 of this Prospectus, which sets out the Independent Industry Assessment Report on the plastic blow and injection moulding industry in Malaysia.

6.14 Business Risks

The Group is not insulated from general business risk as well as risks inherent in the manufacturing industry and those specific to the plastic industry. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply, changes in law and tax legislation affecting the plastic industry and manufacturing sector, increase in production costs, changes in business and credit conditions, fluctuations in foreign exchange rates, introduction of new technologies, relocation of end-user industries to lower cost producing countries and threat of substitute products.

Although the Group seeks to limit these risks through, inter-alia, maintaining good business relationships with its customers and suppliers, increasing automation to reduce dependency on labour, efficient cost control and a diversified market-based clientele, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business.

6.15 Restrictive Covenants Under Borrowing Facility Agreements

The subsidiary of CYL has entered into various credit facility agreements with banks or financiers to finance its operation and business activities. These agreements contain, inter-alia, covenants which may limit the CYL Group's operating and financial flexibility. Any act by the CYL Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. Breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities granted, in relation to that credit facility or may cause a cross-default on other credit facilities. The Board of Directors of CYL are aware of such covenants and shall take all precautions necessary to prevent any breach of these agreements.

6.16 Technological Change and Process Development

The market for the Group's products and services is characterised by changing technology and continuing process development. The future success of the Group's business will depend largely upon its ability to maintain and enhance its technological capabilities and successfully anticipate or respond to technological changes in manufacturing processes in a cost-effective and timely basis. Although the Directors of CYL believe that the Group's operations utilise the technologies and equipment currently required by the Group's customers and is continuously exploring other areas of technological improvement, there can be no assurance that the Group's process development efforts will be successful or that the emergence of new technologies, industry standards or customers' requirements will not render the Group's technology, equipment or processes obsolete or uncompetitive. In the event that the Group requires new technologies and equipment to remain competitive, the development, acquisition and implementation of those technologies and equipment may require the Group to make significant capital investments.

However, there can be no assurance the Group will be able to raise the required capital on terms satisfactory to the Group to acquire the new technologies and equipment.

6.17 Dependence on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Executive Directors and senior management, particularly on Chen Yat Lee who is the founder and Managing Director of PJP. The loss of any of the Group's Executive Directors or key members of its senior management may affect the Group's performance and/or the Group's ability to maintain its competitive edge. The Group's future success will also depend upon its ability to attract and retain experienced personnel. It is the Group's practice to retain the services of these Directors and senior management whenever possible and to also attract and retain experienced personnel through, inter-alia, maintaining a conducive working environment and comprehensive human resource management. It is also the Group's practice to train its management personnel so as to groom the lower and middle management staff to gradually assume the responsibilities of senior management and as part of its employees' career development programme. To ensure continuity in the business and operations of the Group, the Company has in place an experienced and dedicated team of senior management in the key divisions within the Group. Details of the management succession plan of the Group are set out in Section 8.7 of this Prospectus.

6.18 Consolidated Profit Estimate and Forecast

In accordance with the requirements of the SC, a profit estimate and forecast of the Group for the financial years ended/ending 31 January 2003 and 2004 and summary of assumptions have been prepared for inclusion in this Prospectus, and which are set out in Section 14.1 of this Prospectus. Such estimate and forecast are prepared based on a number of assumptions that are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties underlying the profit estimate and forecast, there can be no assurance that the profit estimate and forecast as set out herein will be realised and actual results may be materially different from that shown.

Investors are deemed to have read and understood the descriptions of the bases, assumptions and uncertainties underlying the profit estimate and forecast.

6.19 Construction of New Warehouse

Some of the Group's inventories are currently housed under overhead structures constructed at the Group's factory and these overhead structures have yet to obtain the approval from the relevant authorities. As a condition for the SC's approval for the Listing, CYL is required to remove the unapproved structures by 30 June 2003 if the necessary approvals have not been obtained. Pursuant thereto, CYL has commenced construction of a new warehouse within the vicinity of its current factory buildings to facilitate the storage of its inventories. However, in the event the unapproved structures has to be removed and the construction of the new warehouse is not completed by 30 June 2003, the Group will have to find alternative temporary storage area to keep its inventories.

The Directors do not foresee any difficulty in renting a temporary storage area and do not expect the above to have any material adverse impact on the operations of the Group.

6.20 Political, Economic and Regulatory Considerations

Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects of the Group and the markets of its end products. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

6.21 Forward-looking Statements

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by CYL or CYL's officers, Directors or employees acting on the Company's behalf, that are not statements of historical fact, constitute "forward-looking statement". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause the Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, the Company advise the investors not to place undue reliance on those statements. CYL and/or the Offerors are not warranting or representing to investors that the Group's actual future results, performance or achievements will be as discussed in those statements.

6.22 Implementation of Asean Free Trade Area ("AFTA")

The reduction of import duties to between 0% and 5% with the implementation of AFTA through Common Effective Preferential Tariff ("CEPT") would make imports very competitive against locally manufactured products. CEPT is the mechanism by which tariffs on goods traded within the Asean region which meet a 40% Asean content requirement, will be subjected to a reduction of the above-mentioned range of tariff by 2003 (2006 for Vietnam and 2008 for Laos and Myanmar).

(Source: Vital Factor Consulting Sdn Bhd's Independent Industry Assessment Report dated 20 February 2003)

The Directors of CYL believe that the advent of AFTA will not have any material impact on the Group's business due to the following factors:

(i) **additional logistic costs of imported plastic containers**

Transportation and warehousing costs are important factors because empty plastic containers take up a lot of space and in most instances, are not cost efficient to transport and store;

(ii) **customers' preference for closer proximity to their plastic container suppliers**

The Group's products are mainly for the domestic market and PJP's factories' close proximity to its customers is an added advantage as it is able to transport its products to its customers at very short notice, especially since many of its customers practise just-in-time manufacturing. In addition, plastic products for food products in particular have to meet very strict hygiene standards and hence, the need to be transported quickly;

(iii) **expected improvement in cost competitiveness**

The reduction in tariffs on certain plastic resins and continued implementation of efficient cost controls by the Group is expected to improve the Group's cost competitiveness; and

(iv) **the Group's long time relationship with its customers.**

However, no assurance can be given that the financial performance of the Group will not be materially affected with the implementation of AFTA.

Please refer to paragraph 13.5 of Section 22 of this Prospectus for further details on the mitigating factors for the risk arising from implementation of AFTA on the plastic industry.

6.23 Capital Commitments

The Group's capital commitments as at 14 February 2003 amounted to RM9.0 million, which will be utilised mainly for the acquisition of land and machinery in line with the expansion plans of the Group. The acquisitions are expected to be funded from external borrowings and internally generated funds. Although the Group has in place the necessary credit facility to fund the capital expenditure and the Directors of CYL are reasonably confident of securing additional/replacement credit facilities to finance the planned and any future capital expenditure of the Group, no assurance can be given that the financial performance of the Group will not be affected if its existing financing facilities are terminated and/or if the Group is not able to secure new financing for future capital expenditure requirements.

6.24 Global Environment Concerns on Plastic Containers

Environmental concerns stemming from the non-biodegradability of plastic containers have created increasing presure on limiting such usage. As a result, this may impact on the demand for plastic containers. While recycling and reusing continue to grow in popularity, most of the used polymer-based containers are disposed through landfills. There is a general assumption (rightly or wrongly) that wastes inside a landfill biodegrades, thus degradation of container wastes creates harmful liquid and gaseous by-products that could contaminate groundwater supplies and air, and threaten the ecological system. However, there are not many viable alternatives to plastic containers that can provide similar advantages in terms of flexibility, strength, durability and cost competitiveness. As such, reduction in the use of plastic containers in favour of other more environmentally friendly material is not likely to be significant in the short to medium term. Further, the environmental issue and concerns about plastic containers are not new and have been around for a long time. This indicates that there is no immediate threat of a material drop in the use of plastic containers.

(Source: Vital Factor Consulting Sdn Bhd's Independent Industry Assessment Report dated 20 February 2003)

Although the Directors of CYL are reasonably confident, based on the aforementioned mitigating factors, that such environmental concerns on plastic containers will not materially affect the business and financial performance of the CYL Group, no assurance can be given that such concerns will not jeopardise the business of the Group in the future.