

## 10. APPROVALS AND CONDITIONS

### 10.1 Approvals and Conditions from the Authorities

The SC, MITI and FIC have given their approvals in connection with the Public Issue and Offer for Sale on 4 April 2001, 4 June 2002 and 13 November 2002; 25 September 2000, 29 April 2002, 10 July 2002 and 18 October 2002; and 9 September 2000, 24 June 2002 and 19 November 2002 respectively.

The conditions imposed by all the authorities and the status of compliance are set out as follows:

Authority	Details of Conditions Imposed	Status of Compliance
FIC	i) CYL should have at least 30% direct Bumiputera equity interest upon listing	Will be complied upon listing and quotation of CYL Shares on the Second Board of KLSE. CYL will have at least 30% direct Bumiputera equity participation upon its Listing.
	ii) CYL is to obtain the approval of MITI	CYL obtained the approval of the MITI on 25 September 2000, 29 April 2002, 10 July 2002 and 18 October 2002.
MITI	i) CYL should have at least 30.0% Bumiputera equity interest upon listing.	Will be complied upon listing and quotation of CYL Shares on the Second Board of the KLSE. CYL will have at least 30.0% Bumiputera equity participation upon its Listing.
	ii) CYL is to obtain the approvals of the FIC and SC	CYL obtained the approvals of the FIC and SC on 9 September 2000, 24 June 2002 and 19 November 2002; and 4 April 2001, 4 June 2002 and 13 November 2002 respectively.
	iii) Only 30% of the shares held by the existing Bumiputera shareholders is allowed to be sold during the first year after listing. The balance 70% can be sold in stages, subject to the approval of MITI.	Noted.
SC	i) The utilisation of proceeds raised from the Public Issue is subject to the following:	
	<ul style="list-style-type: none"> <li>a) Approval from the SC should be sought for any changes to the utilisation of proceeds other than for the core business of CYL:</li> <li>b) Shareholders' approval is required for any deviation by twenty five percent (25%) or more from the utilisation as determined. If the deviation is less than twenty five percent (25%), appropriate disclosure should be made to the shareholders of CYL:</li> </ul>	<p>Will comply if applicable.</p> <p>Will comply if applicable.</p>

## 10. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of Conditions Imposed	Status of Compliance
SC (Cont'd)	c) Any extension of time on the period of utilisation already determined by CYL should be approved by the Board of Directors of CYL through a clear resolution and disclose in full to the KLSE; and	Will comply if applicable.
	d) Appropriate disclosure on the status of utilisation is required to be made in the quarterly and annual report of CYL until all the proceeds have been fully utilised.	Will comply.
	ii) A moratorium on sale of shares is imposed on 45,000,000 ordinary shares of RM0.50 each, representing 45% of the enlarged issued and paid-up share capital of CYL after the Public Issue, held by Chen Yat Lee and Lau Kim Lian, where they are not allowed to sell, transfer or assign the moratorium shares within one (1) year from the date of CYL's listing on the KLSE. Thereafter, Chen Yat Lee and Lau Kim Lian are only allowed to sell, transfer or assign up to a maximum of one-third of their shareholding under moratorium per year.	Complied as detailed in Section 10.2 of this Prospectus.
	iii) CYL will give an undertaking to remove the unapproved structures at Lot 41487 (previously known as Lot PT 698) and Lot 41488 (previously known as Lot PT 699), Mukim Damansara, Selangor by 30 June 2003 if the relevant approvals have not yet been obtained.	Complied. The letter of undertaking was furnished to the SC on 9 January 2003.
	iv) Chen Yat Lee and Lau Kim Lian, directors of CYL, will give a written undertaking that they will ensure that CYL/PJP will remove the unapproved structures as stated in (iii) above before 30 June 2003, if the relevant approvals have not yet been obtained and that they will be held personally responsible for the removal, at their own cost and expense, if CYL/PJP has not yet remove the structures by 30 June 2003.	Complied. The letter of undertaking was furnished to the SC on 9 January 2003.
	v) CYL is required to disclose in its listing Prospectus the following information:  (a) written undertakings as stated in (iii) and (iv) above;  (b) status of the relevant approvals for the structures as stated in (iii) above; and	Complied. Disclosure is made in Section 12.2 of this Prospectus.

10. APPROVALS AND CONDITIONS *(Cont'd)*

Authority	Details of Conditions Imposed	Status of Compliance
SC <i>(Cont'd)</i>	(c) timetable and status of construction of CYL's new warehouse.	
	vi) CYL must inform SC when the unapproved structures have been removed.	Will comply if applicable.
	vii) CYL must have a succession plan in place to reduce over reliance on Chen Yat Lee.	Complied. The management succession plan is set out in Section 8.7 of this Prospectus.
	viii) The promoters, Directors and major shareholders of CYL must not be involve in any business which is in conflict of interests with the CYL Group. In connection with this, CYL must fully disclose in its prospectus any existing business that its promoters, Directors or major shareholders are involved in and whether any conflict of interest exist, and the relevant steps taken to reduce the conflict.	Complied. Disclosures are made in Section 11.1 of this Prospectus.
	ix) Any future transactions between the CYL Group and any persons or companies connected with the promoters, Directors or major shareholders of CYL must be on terms that are at arms-length and not on any special terms which is more advantageous than commercial terms and detrimental to the CYL Group. The Audit Committee of CYL is required to monitor and the Board of Directors of CYL is required to report such transactions, if any, in the annual report of CYL every year.	The Promoters, Directors and major shareholders of CYL have taken note of the condition and will comply with this condition if applicable.
	x) CYL is to ensure that the number of Bumiputera Directors on the Board of Directors reflect the percentage of Bumiputera equity interest upon Listing.	Complied. There are 3 Bumiputera Directors out of a total of 7 Directors in CYL.
	xi) CYL must make full disclosure in the prospectus of all the risks it faces.	Complied. Disclosures are made in Section 6 of this Prospectus.
	xii) CYL is to comply fully with the applicable guidelines in relation to companies' listing as stated in the SC's Policies and Guidelines on Issue/Offer of Securities ("Guidelines"), particularly that as provided under Chapters 7, 10 and 25 of the Guidelines.	Complied / to be complied by the Company.
	xiii) CYL is required to obtain all relevant approvals.	All approvals that are required to be obtained by CYL prior to the issuance of this Prospectus have been obtained.

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**10. APPROVALS AND CONDITIONS (Cont'd)**


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**10.2 Moratorium on Sale of Shares**

The SC, in approving the listing of CYL, has imposed a moratorium on the disposal of 45,000,000 CYL Shares, representing 45% of the enlarged issued and paid-up share capital of CYL after the Public Issue, by certain shareholders of CYL. Such shareholders are not allowed to sell, transfer or assign their respective portions of their shareholdings as stated below, within one (1) year from the date of admission of CYL to the Official List of the Second Board of KLSE. Thereafter, each of them is permitted to sell, transfer or assign only up to a maximum of one-third (1/3) per annum (on a straight-line basis) of their respective shareholdings in the Company which is under moratorium.

Details of the shareholders of CYL who are subjected to the moratorium, as approved by the SC, are as follows:

Shareholder	Shareholdings after the Public Issue and Offer for Sale		Shares placed under moratorium	
	No. of ordinary shares	% of enlarged share capital	No. of ordinary shares	% of enlarged share capital
Chen Yat Lee	34,314,000	34.31	27,000,000	27.00
Lau Kim Lian	20,686,000	20.69	18,000,000	18.00
	55,000,000	55.00	45,000,000	45.00

The restriction, which is fully accepted by the aforesaid shareholders, is specifically endorsed on the share certificates representing the respective shareholdings of the aforesaid shareholders which are under moratorium to ensure that the Company's Registrar do not register any transfer not in compliance with the restriction imposed by the SC.

The remarks to be endorsed on these share certificates are as follows:

*"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate unless the same shall be endorsed with this restriction."*

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## 11. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST

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### 11.1 Related-Party Transactions

Save as disclosed below, there are no transactions, existing or potential, entered or to be entered by CYL or its subsidiary as at the date hereof, which involved the interest, direct or indirect, of the Directors, major shareholders and/or persons connected to them as defined under Section 122A of the Companies Act, 1965:

- (a) rental of a house located in Subang Jaya, Selangor Darul Ehsan for a total annual rental of RM14,400 to PJP. The tenancy agreement was dated 24 September 2001 and is valid for a duration of two years. The tenancy agreement contains an option to renew the tenancy for another year, provided PJP gives prior notice of two months before expiry of the tenancy duration;
- (b) rental of two (2) units of apartment located in Shah Alam, Selangor Darul Ehsan for a total annual rental of RM21,600 to PJP. The tenancy agreement was dated 30 September 2002 and is valid for a duration of two years. The tenancy agreement contains an option to renew the tenancy for another year, provided PJP gives prior written notice of two months before expiry of the tenancy duration.

Both the house and two (2) units of apartment belongs to Chen Yat Lee, a Director and major shareholder of CYL. Both the related-party transactions in relation to the abovementioned tenancy agreements do not require the approval of non-interested shareholders of CYL.

### 11.2 Conflict of Interest

None of the Directors or major shareholders of CYL or its subsidiary has any interest, direct or indirect, in any business carrying on a similar trade as CYL or its subsidiary.

### 11.3 Declaration

Save as disclosed below, there is no conflict of interest or potential conflict of interest between the Group and its Adviser, Reporting Accountants, Solicitors, Valuers and Independent Industry Consultant:

- (i) PJP has existing loans outstanding with Bumiputra-Commerce Bank Berhad, a company related to CIMB, namely term loan, overdraft, banker's acceptance and multi-option lines facilities totalling RM10,671,251.68 as at 14 February 2003. RM1,773,417 of the term loans amount outstanding is estimated to be repaid from the proceeds to be derived from the Public Issue;
- (ii) PJP also has existing loans outstanding with CIMB, namely banker's acceptance facilities totalling RM800,000 as at 14 February 2003;
- (iii) Mohd Najuib bin Abu Hassan, Othman bin Mohd Yusof and Mohamad Farid bin Mohd Yusof are shareholders of CYL. Collectively, they hold 10.1% of CYL after the Listing. They have loans outstanding with CIMB amounting to RM4,295,916, RM2,805,726 and RM1,753,578 respectively as at 14 February 2003. Their shareholdings in CYL have been pledged as security for their respective loans;
- (iv) CYL entered into an Underwriting Agreement with CIMB on 18 February 2003 for the underwriting of 4,600,000 Issue Shares at a price of RM0.65 per Issue Share for an underwriting commission of 2.5% of the underwritten value; and

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**11. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)**

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- (v) CYL and the Offerors respectively entered into a Placement Agent Agreement with CIMB on 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.

Nevertheless, the Adviser, Reporting Accountants, Solicitors, Valuers and Independent Industry Consultant are paid a fee for their professional services.

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## 12. OTHER INFORMATION CONCERNING THE CYL GROUP

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### 12.1 Approvals, Major Licences and Permits

MITI approved PJP's application for a manufacturing licence under the Industrial Co-ordination Act, 1975 vide its letter dated 31 January 1990. In approving the application, MITI imposed a condition, amongst others, requiring PJP to appoint Bumiputera dealers to distribute at least 30% of its sales within Malaysia. The appointment of Bumiputera dealers must be done after consultation with MITI. Appointment of foreign dealers must also first obtain the approval of MITI. Currently, no dealer has been appointed as PJP handles its distribution directly. As such, the aforementioned conditions were complied and will be complied with by PJP as and when the situation requires the appointment of dealers. Subsequently, on 23 May 1994, due to the relocation of its factories, MITI granted a new manufacturing licence in respect of the new premises. Although no terms and conditions were attached to the new manufacturing licence, PJP has been verbally informed that the conditions imposed in the manufacturing licence issued in 1990 as aforesaid is still applicable. In addition, MITI had, vide its letter dated 25 September 2000, included the condition that at least 70% of the shares in PJP must be purchased and held by Malaysians including at least 30% to be allotted through a special issue. The company must consult MITI before the allotment of special issue shares are made. With regard to this condition, CYL, the holding company of PJP, will have at least 30% Bumiputera equity participation upon its Listing.

PJP received its licence as a Licensed Manufacturer under the Sales Tax Act, 1972 from the Royal Customs and Excise, Malaysia on 15 May 1989 to operate as a Licensed Manufacturer from 1 February 1988. No conditions were attached to the licence.

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## 12. OTHER INFORMATION CONCERNING THE CYL GROUP (Cont'd)

### 12.2 Landed Properties

A summary of the information on landed properties of the CYL Group are as follows:

Registered owner	Title/ Location	Existing use/ Description of property	Land area (sq. ft.)	Built-up area (sq. ft.)	Tenure	Approximate age of building (years)	Net book value as at 31 January 2002 RM	Net book value as at 31 August 2002 RM	Market value approved by the SC RM	Revaluation surplus/ (deficit)* RM
PJP	Lot 41489, Pekan Hicom, District of Petaling, Selangor Darul Ehsan (previously known as Title No. H.S. (D) 63697, Lot No. PT 700, Mukim of Damansara, District of Petaling, State of Selangor)	Industrial/ A three storey office building annexed with single storey factory building	74,054	58,894	Freehold	9	4,002,705	3,967,050	7,100,000	3,097,295
PJP	Lot 41488, Pekan Hicom, District of Petaling, Selangor Darul Ehsan (previously known as Title No. H.S. (D) 63696, Lot No. PT 699, Mukim of Damansara, District of Petaling, State of Selangor)	Industrial/ A two storey office building annexed with single storey factory building	78,437	50,911	Freehold	8	3,734,729	3,705,263	7,000,000	3,265,271

12. Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan

10. Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan



## 12. OTHER INFORMATION CONCERNING THE CYL GROUP (Cont'd)

Registered owner	Title/ Location	Existing use/ Description of property	Land area (sq. ft.)	Built-up area (sq. ft.)	Tenure	Approximate age of building (years)	Net book value as at 31 January 2002 RM	Net book value as at 31 August 2002 RM	Market value approved by the SC RM	Revaluation surplus/ (deficit)* RM
PIP	Lot 41487, Pekan Hicom, District of Petaling, Selangor Darul Ehsan (previously known as Title No. H.S. (D) 63695, Lot No. PT 698, Mukim of Damansara, District of Petaling, State of Selangor)	Industrial/ A two storey office building annexed with single storey factory building	74,054	59,284	Freehold	6	6,098,959	6,039,022	7,520,000	1,421,041
	8. Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan									
PIP	Held under Title No. H.S. (D) 71252, Lot No. PT 23, Mukim of Damansara, District of Petaling, State of Selangor	Industrial/ An office building cum single storey factory warehouse	43,560	26,755	Freehold	12	2,225,637	2,203,372	3,700,000	1,474,363
	Lot 23, Jalan Jaya Setia 26/3, Section 26, Hicom Industrial Estate, 40000 Shah Alam Selangor Darul Ehsan									
PIP	Held under Title No. H.S. (D) 63661, Lot No. PT 664, Mukim of Damansara, District of Petaling, State of Selangor	Industrial/ An intermediate unit 1½ storey terraced factory	3,900	3,079	Freehold	9	313,679	313,215	420,000	106,321
	36, Jalan Batu Belah 27/96, Section 27, 40000 Shah Alam Selangor Darul Ehsan									

## 12. OTHER INFORMATION CONCERNING THE CYL GROUP (Cont'd)

Registered owner	Title/ Location	Existing use/ Description of property	Land area (sq. ft.)	Built-up area (sq. ft.)	Tenure	Approximate age of building (years)	Net book value as at 31 January 2002 RM	Net book value as at 31 August 2002 RM	Market value approved by the SC RM	Revaluation surplus/ (deficit)* RM
PJP	Held under Master Title Nos. H.S. (D) 63617 & H.S.(D) 63619, Master Lot Nos. PT 617 & PT 620 respectively, both in Mukim of Damansara, District of Petaling, State of Selangor	Residential/ Ten units of medium cost apartment	Not applicable	740 (per unit)	Freehold	7	676,089	667,516	840,000	163,911
	Ten Units of Medium Cost Apartment located at Taman Bunga Negara, (Hicom Sector B), Section 26/27, 40400 Shah Alam Selangor Darul Ehsan									
PJP*	Held under Title No. H.S.(D) 114718, Lot No. PT 34089 Mukim and District of Petaling, Selangor Darul Ehsan	A parcel of industrial land	30,000	Not applicable	Leasehold 99 years expiring on 26 October 2096	Not applicable	570,225	Recognised as sold and thus, no net book value is available.	800,000	229,775
	Lot No. D5, Jalan TPP 6/8, Pinwang Industrial Park, 47100 Puchong Selangor Darul Ehsan									
<b>Subtotal</b>										
PJP	Held under Title No. H.S.(D) 63660 Lot No. PT 663 34, Jalan Batu Belah 27/96, Section 27, 40000 Shah Alam Selangor Darul Ehsan	A 1 ½ storey factory	3,900	3,079	Freehold	9	350,000	405,807	^	^
							17,622,023	16,895,438	27,380,000	9,757,977

## 12. OTHER INFORMATION CONCERNING THE CYL GROUP (Cont'd)

Registered owner	Title/ Location	Existing use/ Description of property	Land area (sq. ft.)	Built-up area (sq. ft.)	Tenure	Approximate age of building (years)	Net book value as at 31 January 2002 RM	Net book value as at 31 August 2002 RM	Market value approved by the SC RM	Revaluation surplus/ (deficit)* RM
PJP	Held under Title No. 11.S.(D) 63630 Lot No. PT 632 4, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan	Industrial land	55,565	-	Freehold	Not applicable	Not applicable	2,000,340	^	^
<b>GRAND TOTAL</b>							<b>17,972,023</b>	<b>19,301,585</b>	<b>27,380,000</b>	<b>9,757,977</b>

## Notes:

\* Computed based on the net book value of the properties as at 31 January 2002

# PJP had, on 23 July 2002, entered into a Sale and Purchase Agreement for the disposal of this property for a sale consideration of RM1 million. The disposal is expected to be completed in March 2003.

^ Not applicable as the properties were only acquired subsequent to the submission to the SC.

+ Revaluation surplus does not take into consideration the properties acquired subsequent to the submission to the SC.

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**12. OTHER INFORMATION CONCERNING THE CYL GROUP (Cont'd)**

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The market valuations of the above landed properties were carried out by Henry Butcher, Lim & Long (Selangor) Sdn Bhd, a firm of independent and professional valuers on 15 June 2000, using the Comparison and Investment methods of valuation. The Valuation Certificate is set out in Section 20 of this Prospectus.

The market values ascribed by the Valuers for the above properties were approved by the SC on 4 April 2001 and 4 June 2002. The revaluation surplus/deficit, computed based on the net book values of the properties as at the date of completion of the Acquisition of PJP will be incorporated in the accounts of PJP for the financial year ending 31 January 2003.

The aforementioned landed properties have been held by PJP for more than two (2) years preceding the date of valuation by the Valuers.

PJP is proposing to amalgamate Lots 41487, 41488 and 41489, Pekan Hicom, District of Petaling, Selangor Darul Ehsan to facilitate obtaining approvals from the relevant authorities for the construction or extension of certain structures (including an existing unapproved overhead structure connecting two (2) of the buildings located on the properties).

Pursuant to a written undertaking given by CYL to the SC, CYL will ensure the removal of the aforementioned unapproved structures by 30 June 2003 in the event the necessary approvals for the amalgamation and construction of the aforementioned structures are not received by then. Further, Chen Yat Lee and Lau Kim Lian have also provided a written undertaking to the SC that they will be personally responsible to ensure that CYL/PJP adheres to its undertaking such that they will cause the removal of the unapproved structures at their own cost and expense if CYL/PJP has not yet remove the structures by 30 June 2003.

PJP had, on 30 October 2002 and 28 November 2002, submitted an application to Pentadbir Tanah Petaling and Majlis Bandaraya Shah Alam ("MBSA") respectively for the amalgamation of Lots 41487, 41488 and 41489. The MBSA had, vide its letter dated 27 January 2003, stated it has no objection towards the unapproved structures. However the application is still pending other relevant approvals from other departments within the MBSA. In addition, the Pentadbir Tanah Petaling had, vide its letter dated 20 February 2003, informed PJP that its application for the aforementioned amalgamation had been approved on 14 February 2003, which is conditional to the amalgamation being carried out in accordance with the plan as certified and registered by MBSA, compliance by PJP of the requirements of MBSA and the approval by MBSA of the building plans (the approval of which is not to be given until all land matters have been settled). The building plans of the unapproved structures have been submitted to MBSA on 11 February 2003. PJP is currently waiting for MBSA's approval for the building plans.

In order not to affect the operations of PJP in the event the unapproved structures have to be demolished, PJP is currently constructing a new warehouse to be located at Lot No. PT 632, 4, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam, Selangor Darul Ehsan to facilitate the storage of its inventories, which are currently stored under the unapproved structures. The building plans of the warehouse had been submitted to the planning department of MBSA on 8 January 2003. The building plans were also submitted to the Department of Environment and the Fire Department on 23 January 2003. Approval from the Department of Environment was obtained on 10 February 2003. PJP is currently awaiting approvals from the planning department of MBSA and the Fire Department. PJP expects to submit the infrastructure drawings to the infrastructure department of MBSA and the building plans to the building department of MBSA in mid-March 2003. Upon receipt of approvals of all the abovementioned authorities, PJP will proceed to start the construction of the warehouse, which is expected to be in mid-April 2003. The construction of the warehouse is expected to be fully completed in July 2003. However, the roof covering and installation of slab of the warehouse is expected to be completed by end June 2003, which will enable the Group to store its inventories.

**12. OTHER INFORMATION CONCERNING THE CYL GROUP (Cont'd)**

Details of purchases of properties during the two (2) years preceding the date of this Prospectus are as follows:

<b>Title/Location</b>	<b>Date of Sale and Purchase Agreement</b>	<b>Purchase consideration RM</b>
H.S.(D) 63660, Lot No. PT 663, 34, Jalan Batu Belah 27/96, Section 27, 40000 Shah Alam, Selangor Darul Ehsan	5 November 2001	350,000
H.S.(D) 63630, Lot No. PT 632, 4, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam, Selangor Darul Ehsan	20 August 2002	2,000,340

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### 13. FINANCIAL INFORMATION

#### 13.1 Proforma Consolidated Income Statements

The following is a summary of the proforma audited consolidated results of the CYL Group for the past five (5) financial years ended 31 January 1998 to 2002 and seven (7) months ended 31 August 2002, prepared for illustrative purposes only, based on the assumption that the current structure of the Group has been in existence throughout the financial years and period under review:

	Financial year ended 31 January					7 months
	1998	1999	2000	2001	2002	ended 31
	RM 000	RM 000	RM 000	RM 000	RM 000	August 2002
						RM 000
Revenue	34,216	35,013	43,658	49,901	56,706	30,287
Earnings before interest, depreciation, taxation and amortisation	9,112	8,887	10,501	11,519	12,783	7,821
Net interest expense	(1,486)	(1,780)	(1,405)	(1,066)	(920)	(489)
Depreciation	(2,868)	(2,888)	(3,132)	(3,399)	(3,946)	(2,726)
Amortisation	-	-	-	-	-	-
Profit before taxation	4,758	4,219	5,964	7,054	7,917	4,606
Taxation	(615)	(196)	230	(469)	(924)	(865)
Profit after taxation	4,143	4,023	6,194	6,585	6,993	3,741
Minority interests	-	-	-	-	-	-
Profit for the year attributable to shareholders	4,143	4,023	6,194	6,585	6,993	3,741
No. of ordinary shares assumed in issue (000)*	92,142	92,142	92,142	92,142	92,142	92,142
Net EPS (sen)	4.50	4.37	6.72	7.15	7.59	6.96 <sup>+</sup>
Gross dividend rate (%)	-	-	-	-	-	-

**Notes:**

+ Annualised

\* The assumed issued and paid-up share capital of 92,142,000 ordinary shares of RM0.50 each is based on the issued and paid-up share capital of CYL after the Acquisition of PJP but prior to the Public Issue.

(i) The effective tax rates for the five (5) financial years ended 31 January 2002 and the seven (7) months period ended 31 August 2002 were lower than the statutory income tax due mainly to the reinvestment allowance claimed under Schedule 7A of the Income Tax Act, 1967. For the financial year ended 31 January 2000, there was a tax credit due to deferred tax benefit and an overprovision of deferred tax in the previous financial years.

(ii) The growth in revenue from RM34.22 million for the financial year ended 1998 to RM56.71 million for the financial year ended 2002 was mainly attributed to business expansion and the introduction of broader range of plastic packaging products to the existing and new customers in the market.

(iii) Gross profit margin for the financial years ended 1998 and 1999 experienced a downward trend, which was due mainly to the increase in purchase price of plastic resin and the rise in global crude oil price as a result of the depreciation of the RM against major foreign currencies in 1998 and 1999. The selling price had remained relatively constant. The marginal drop in gross profit margin for the financial year ended 2000 was mainly due to the rise in global crude oil price. The Company revised selling prices only in late October 1999.

### 13. FINANCIAL INFORMATION (Cont'd)

- (iv) *The decline in pre-tax profit for the financial year ended 1999 was mainly due to higher manufacturing cost. The higher pre-tax profit achieved for the financial year ended 2000 was as a result of the recovery of the regional economies due to a surge in exports and a sharp revival in consumer expenditure.*
- (v) *The increase in pre-tax profit for the financial years ended 2001 and 2002 was mainly due to a surge in revenue for the period.*
- (vi) *The annualised results for the seven (7) months ended 31 August 2002 was lower as the period is generally a low consumption season for plastic packaging product.*
- (vii) *There was no exceptional item or extraordinary item in respect to financial years and period under review.*

#### 13.2 Segmental Data

No segmental analysis is prepared as the Group is currently engaged in a single activity, i.e. the manufacture and sale of plastic packaging products. The Group also operates within a single industry and a single geographical location.

#### 13.3 Working Capital, Material Commitments for Capital Expenditure, Borrowings and Contingent Liabilities

##### (i) Working Capital

The Directors of CYL are of the opinion that, barring any unforeseen circumstances and after taking into consideration the cashflow forecast and the banking facilities available, the Group will have adequate working capital for its present foreseeable requirements.

##### (ii) Material Commitments for Capital Expenditure

As at 14 February 2003 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the capital commitments of the Group are as follows:

	<b>RM 000</b>
Approved and contracted for	-
Approved but not contracted for	9,000
	9,000

The material commitments are mainly in relation to acquisition of land and machinery.

Save as disclosed above, there are no material commitments for capital expenditure contracted or known to be contracted by CYL or its subsidiary, which may have a substantial impact on the financial position of the Group as at 14 February 2003 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus).

##### (iii) Borrowings

As at 14 February 2003 (being the latest practicable date of which such amounts could be calculated prior to the printing of this Prospectus), the Group has total borrowings amounting to RM16.41 million, all of which are interest bearing, of which approximately RM6.21 million are long term whilst the balance of RM10.2 million are short term in nature.

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**13. FINANCIAL INFORMATION (Cont'd)**

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**(iv) Contingent Liabilities**

As at 14 February 2003 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the Directors of CYL are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets of the Group.

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## 14. FUTURE FINANCIAL INFORMATION

### 14.1 Consolidated Profit Estimate and Forecast Together with the Assumptions Thereon

Barring unforeseen circumstances and on the bases and assumptions set out below, the Board of Directors of CYL estimates and forecasts that the consolidated profit/loss after tax of the Group for the financial years ended/ending 31 January 2003 and 2004 are as follows:

Financial year ended/ending 31 January	2003 RM 000	2004 RM 000
Revenue	58,300	59,000
Consolidated profit before tax	8,630	9,775
Income tax expense	(1,030)	(660)
Consolidated profit after tax	7,600	9,115
Less: Pre-acquisition profit	(7,604)	-
Consolidated profit/(loss) after tax and pre-acquisition profit	(4)	9,115
Net EPS on the consolidated profit after tax (sen)	8.25*	9.26**
Net PE multiple (times)***	7.88	7.02

*Notes:*

- \* Computed based on the number of ordinary shares in issued after the Acquisition of PJP but before the Public Issue i.e 92,142,000 ordinary shares of RM0.50 each on the assumption that the current structure of the Group has been in existence throughout the financial year.
- \*\* Computed based on the weighted average number of ordinary shares in issue of CYL of 98,406,871 ordinary shares of RM0.50 each on the assumption that the Public Issue will be completed by mid April 2003.
- \*\*\* Based on the Issue/Offer price of RM0.65 per ordinary share.

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are as follows:

1. CYL has carried/will carry out the following listing exercise:
  - (a) subdivision of the par value of the ordinary shares of CYL from RM1.00 per share to RM0.50 per share which was completed on 2 December 2002;
  - (b) acquisition by CYL of the entire equity interest in PJP comprising 1,650,000 ordinary shares of RM1.00 each for a purchase consideration of RM47,749,184 to be satisfied by the issuance of 92,141,996 new CYL Shares at an issue price of approximately RM0.52 per ordinary share which was completed on 31 January 2003;
  - (c) offer for sale of 9,499,400 CYL Shares at an offer price of RM0.65 per ordinary share;
  - (d) public issue of 7,858,000 new CYL Shares at an issue price of RM0.65 per ordinary share; and

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**14. FUTURE FINANCIAL INFORMATION (Cont'd)**


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- (e) listing of and quotation for the entire enlarged issued and paid-up share capital of CYL comprising 100,000,000 ordinary shares of RM0.50 each on the Second Board of the KLSE.

The Offer for Sale and Public Issue are assumed to be completed by mid April 2003.

2. There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere that directly or indirectly affect the activities or performance of the Group and the business of the Group's major customers and suppliers.
3. The prevailing market conditions for the Group's products will not change materially and the average prices of the Group's products will not fluctuate significantly from the estimate and forecast level.
4. Inflation rates, interest rates and exchange rates will not change or fluctuate significantly from their present levels.
5. Other than inflationary increases, there will be no material increase in wages, cost of raw materials and other incidental costs other than those taken into consideration in the profit estimate and forecast.
6. Existing and future financing facilities will remain available to the Group at prevailing interest rates.
7. There will be no material changes to the present legislation and government regulations, including taxation and guidelines of regulatory authorities, which will adversely affect the Group's activities or the markets in which the Group operates. The Group will be able to continue to claim reinvestment allowances pursuant to Schedule 7A of the Income Tax Act, 1967 and the amount of the reinvestment allowances assumed to be utilised in the profit estimate and forecast will be approved by the Inland Revenue Board.
8. There will be no significant changes in the principal activities and management structure adopted by the Group.
9. There will be no major changes in the existing key personnel and management of the Group which will affect the marketing capability and level of activities of the Group.
10. There will be no material changes in the management, accounting and operating policies currently adopted by the Group.
11. There will be no major breakdown or disruption in the manufacturing facilities and supply of materials, major industrial disputes or any other abnormal factors or changes that will adversely affect the operations of the Group.
12. There will be no material acquisitions or disposals of property, plant and equipment other than those that have been estimated and forecast. The estimated and forecast capital expenditure will be implemented, incurred and paid as anticipated with no material changes in cost or price.
13. The average plastic resin prices will not fluctuate significantly from the estimated and forecast level.
14. The current trend of increasing demand of the Group's products will be maintained.
15. The Group will be able to maintain the profit margins on its products at the estimated and forecast levels.

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**14. FUTURE FINANCIAL INFORMATION (Cont'd)**

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16. There will be no exceptional occurrences of bad debts in excess of the level provided for the profit estimate and forecast.
17. The existing terms and conditions for contracts and agreements entered into by the Group will remain in force.
18. The proceeds from the Public Issue of RM5,107,700 are expected to be received by mid April 2003.
19. The estimated listing expenses of RM1,600,000 will be written off against the share premium account.

**14.2 Directors' Analysis of the Consolidated Profit Estimate and Forecast**

The Directors of CYL have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit estimate and forecast of CYL for the financial years ended/ending 31 January 2003 and 2004 and are of the opinion that the consolidated profit estimate and forecast is fair and reasonable in light of the future plans, strategies and prospects of the CYL Group and the prospects of the plastic industry as set out in Section 7.6 of this Prospectus and after taking into consideration the estimated and forecast gearing levels and the liquidity and working capital requirements of the Group.

**Profit estimate for the financial year ended 31 January 2003**

Revenue is estimated to increase from RM56.7 million for the financial year ended 31 January 2002 to RM58.3 million for the financial year ended 31 January 2003. The improvement is mainly due to business expansion and the introduction of a broader range of plastic packaging products to the Group's customers. As a result of the increase in revenue, profit before tax is estimated to increase from RM7.9 million for the financial year ended 31 January 2002 to RM8.6 million for the financial year ended 31 January 2003. The pre-acquisition profit of RM7.6 million arose due to the completion of the Acquisition of PJP on 31 January 2003.

**Profit forecast for the financial year ending 31 January 2004**

Revenue is forecast to increase marginally by 1.2% to RM59 million for the financial year ending 31 January 2004. However, profit before and after tax are forecast to show a 13.3% and 19.9% increase respectively, due mainly to the amortisation of reserve on consolidation arising from the Acquisition of PJP amounting to RM1.5 million. The lower tax expense for the year is due to the RM9 million forecast capital expenditure which is entitled to reinvestment allowance for income tax deduction.

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**15. REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

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(Prepared for inclusion in this Prospectus)

**Deloitte KassimChan** (AF 0080)  
Chartered Accountants  
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**Deloitte  
KassimChan**

February 21, 2003

The Board of Directors  
CYL Corporation Berhad  
Level 14, Uptown 1  
1 Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs,

**CYL CORPORATION BERHAD  
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS  
ENDED/ENDING JANUARY 31, 2003 AND 2004**

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of CYL Corporation Berhad (CYL) and its subsidiary company (the Group), for which the Directors of CYL are solely responsible, for the financial years ended/ending January 31, 2003 and 2004, which have been prepared for inclusion in this Prospectus to be dated February 28, 2003 in connection with the following exercises:

- a) Offer for sale of 9,499,400 ordinary shares of RM0.50 each in CYL at an offer price of RM0.65 per ordinary share;
- b) Public issue of 7,858,000 new ordinary shares of RM0.50 each in CYL at an issue price of RM0.65 per ordinary share; and
- c) Listing of and quotation for the entire enlarged issued and paid-up share capital of CYL comprising 100,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange.

**Deloitte  
Touche  
Tohmatsu**

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15. **REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST** *(Cont'd)*

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**Deloitte KassimChan**

In our opinion, the consolidated profit estimate and forecast, insofar as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the abovementioned Prospectus, and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours very truly,



**DELOITTE KASSIMCHAN**  
**AF0080**  
**Chartered Accountants**



**HIEW KIM TIAM**  
**1717/8/03 (J)**  
**Partner**

**16. DIVIDEND ESTIMATE AND FORECAST**

It is the policy of the Directors of CYL to recommend dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Group.

For the financial year ended 31 January 2003, the Group declared two interim dividends totalling RM1.155 million, which was paid out from March 2002 to October 2002. The Group did not declare any final dividend for the financial year ended 31 January 2003.

For the financial year ending 31 January 2004, the Directors of CYL proposed to declare an interim tax-exempt dividend amounting to RM577,500 prior to the Public Issue and Offer for Sale. The interim dividend will be paid prior to the date of allotment of the Issue/Offer Shares. The dividend forecast for the financial year ending 31 January 2004 (in addition to the interim dividend) after the Public Issue and Offer for Sale is as follows:

<b>Financial year ending 31 January</b>	<b>Forecast 2004 RM 000</b>
Consolidated profit after tax	9,115
Less: Proposed tax-exempt dividend	<u>(2,078)</u>
Profit retained for the financial year	<u>7,037</u>
Net dividend cover (times)	4.39
Tax-exempt dividend per ordinary share after the Public Issue and Offer for Sale (sen)	1.50
Tax-exempt dividend yield after the Public Issue and Offer for Sale based on the Issue/Offer price of RM0.65 per share (%)	2.31

Future dividends may be waived if:

- (a) the Group is in a loss position for the relevant financial year; or
- (b) the Group has insufficient cash flows to meet any dividend payments.

Notwithstanding the above, the Directors of CYL have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

## 17. PROFORMA CONSOLIDATED BALANCE SHEETS AND THE NOTES THEREON

The Proforma Consolidated Balance Sheets of the CYL Group as at 31 August 2002 as set out below are prepared for illustrative purposes only and are based on the audited balance sheet of CYL as at 31 August 2002, to show the effects of the Share Split, the Acquisition of PJP, the Public Issue and proposed utilisation of proceeds from the Public Issue, on the assumption that these transactions were completed on 31 August 2002.

	Audited as at 31 August 2002 RM 000	Proforma			
		1 RM 000	2 RM 000	3 RM 000	4 RM 000
Property, plant and equipment	-	58,472	58,472	58,472	58,472
Investments	-	73	73	73	73
<b>Current Assets</b>					
Inventories	-	4,913	4,913	4,913	4,913
Trade receivables	-	12,428	12,428	12,428	12,428
Other receivables and prepaid expenses	-	2,342	2,342	2,342	2,342
Deferred expenditure	-	400	400	400	-
Cash and bank balances	*	12	12	5,120	1,867
	*	20,095	20,095	25,203	21,550
<b>Current Liabilities</b>					
Trade payables	-	3,634	3,634	3,634	3,634
Other payables and accrued expenses	1	6,333	6,333	6,333	6,333
Amount owing to related party	4	-	-	-	-
Amount owing to directors	-	170	170	170	170
Bank borrowings	-	10,951	10,951	10,951	8,898
Hire-purchase obligations - current portion	-	626	626	626	626
Tax liabilities	-	245	245	245	245
	5	21,959	21,959	21,959	19,906
<b>Net Current Assets/(Liabilities)</b>	(5)	(1,864)	(1,864)	3,244	1,644
<b>Long-Term and Deferred Liabilities</b>					
Long-term loans - non-current portion	-	(3,702)	(3,702)	(3,702)	(3,702)
Hire-purchase obligations - non-current portion	-	(332)	(332)	(332)	(332)
Deferred tax liabilities	-	(2,389)	(2,389)	(2,389)	(2,389)
	-	(6,423)	(6,423)	(6,423)	(6,423)
<b>Net Assets/(Liabilities)</b>	(5)	50,258	50,258	55,366	53,766

## 17. PROFORMA CONSOLIDATED BALANCE SHEETS AND THE NOTES THEREON (Cont'd)

	Audited as at 31 August 2002 RM 000	Proforma			
		1 RM 000	2 RM 000	3 RM 000	4 RM 000
<b>Represented by:</b>					
Issued capital	**	46,071	46,071	50,000	50,000
Share premium	-	1,678	1,678	2,857	1,257
Reserve arising on consolidation	-	2,514	2,514	2,514	2,514
Accumulated loss	(5)	(5)	(5)	(5)	(5)
Shareholders' Equity/(Capital Deficiency)	(5)	50,258	50,258	55,366	53,766
NTA	***	49,858	49,858	54,966	53,766
NTA per ordinary share (RM)	***	0.54	0.54	0.55	0.54

**Notes:**

\* This represents RM2.00 cash on hand.

\*\* This represents RM2.00 comprising two (2) ordinary shares of RM1.00 each.

\*\*\* The Company has not commenced operations as at 31 August 2002. Accordingly, NTA per ordinary share is not computed.

**Notes to the Proforma Consolidated Balance Sheets as at 31 August 2002****1. Basis of Preparation**

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes based on accounting principles and bases consistent with those adopted in the preparation of the audited financial statements of CYL and its subsidiary company.

**2. Proforma Consolidated Balance Sheets**

The Proforma Consolidated Balance Sheets are prepared based on the audited financial statements of CYL as at 31 August 2002 and on the assumption that the following have been effected on 31 August 2002:

**Proforma 1**

Proforma 1 incorporates the effects of subdivision of the par value of the ordinary shares of CYL from RM1.00 to RM0.50 per share and the acquisition by CYL of the entire equity interest in PJP comprising 1,650,000 ordinary shares of RM1.00 each for a purchase consideration of RM47,749,184 satisfied by the issuance of 92,141,996 new ordinary shares of RM0.50 each in CYL at an issue price of approximately RM0.52 per ordinary share. The acquisition of PJP has been consolidated using the acquisition method based on the audited financial statements of PJP as at 31 August 2002.

The land and buildings of PJP were revalued by the Directors of PJP on 20 June 2000 based on a valuation carried out by an independent firm of professional valuers using the "Comparison Method" and "Investment Method" of valuation. The revaluation was carried out as part of the listing exercise which was approved by the SC. The surplus arising from the revaluation amounting to RM9,684,562 has been recognised in the statement of assets and liabilities of the proforma Group as at 31 August 2002.



**17. PROFORMA CONSOLIDATED BALANCE SHEETS AND THE NOTES THEREON (Cont'd)****Proforma 2**

Proforma 2 incorporates the effects of Proforma 1 and the offer for sale of 9,499,400 ordinary shares of RM0.50 each in CYL at an offer price of RM0.65 per ordinary share.

**Proforma 3**

Proforma 3 incorporates the effects of Proforma 2 and the public issue of 7,858,000 new ordinary shares of RM0.50 each in CYL at an issue price of RM0.65 per ordinary share.

**Proforma 4**

Proforma 4 incorporates the effects of Proforma 3 and the proposed utilisation of the proceeds arising from the public issue amounting to RM5,107,700.

The total estimated listing expenses amounting to RM1,600,000, of which RM399,537 has been incurred by CYL and shown as deferred expenditure under current assets as at 31 August 2002. The total estimated listing expenses are written off against the share premium account.

The total gross proceeds arising from the Public Issue will be utilised as follows:

	<b>RM 000</b>
Repayment of bank borrowings	2,053
Working capital	1,455
Estimated listing expenses	1,600
	<u>5,108</u>

**3. Issued Capital and Reserves**

The movements in the issued and paid-up share capital and reserves of CYL are as follows:

	<b>Issued Capital RM 000</b>	<b>Share Premium RM 000</b>	<b>Reserve Arising on Consolidation RM 000</b>	<b>Accumulated Loss RM 000</b>	<b>Total RM 000</b>
Per audited financial statements as at 31 August 2002	*	-	-	(5)	(5)
Share Split and Acquisition of PJP	46,071	1,678	2,514	-	50,263
Proforma 1	46,071	1,678	2,514	(5)	50,258
Offer for Sale	-	-	-	-	-
Proforma 2	46,071	1,678	2,514	(5)	50,258
Public Issue	3,929	1,179	-	-	5,108
Proforma 3	50,000	2,857	2,514	(5)	55,366
Estimated listing expenses	-	(1,600)	-	-	(1,600)
Proforma 4	50,000	1,257	2,514	(5)	53,766

**Note:**

\* This represents RM2.00 comprising two (2) ordinary shares of RM1.00 each.

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**18. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS**

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(Prepared for inclusion in this Prospectus)

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**Deloitte  
KassimChan**

February 21, 2003

The Board of Directors  
CYL Corporation Berhad  
Level 14, Uptown 1  
1 Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs,

**CYL CORPORATION BERHAD  
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF AUGUST 31, 2002**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of CYL Corporation Berhad (CYL) and its subsidiary company (the Group) as of August 31, 2002, together with the notes and assumptions thereto, for which the Directors of CYL are solely responsible, which have been prepared for inclusion in this Prospectus to be dated February 28, 2003 in connection with the following exercises:

- a) Offer for sale of 9,499,400 ordinary shares of RM0.50 each in CYL at an offer price of RM0.65 per ordinary share;
- b) Public issue of 7,858,000 new ordinary shares of RM0.50 each in CYL at an issue price of RM0.65 per ordinary share; and
- c) Listing of and quotation for the entire enlarged issued and paid-up share capital of CYL comprising 100,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange.

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**18. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS (Cont'd)**

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**Deloitte KassimChan**

In our opinion, the Proforma Consolidated Balance Sheets of the Group as of August 31, 2002, which have been prepared for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by the Group and are presented in a form suitable for inclusion in the abovementioned Prospectus.

Yours very truly,



**DELOITTE KASSIMCHAN**  
**AF0080**  
**Chartered Accountants**



**HIEW KIM TIAM**  
**1717/8/03 (J)**  
**Partner**