

CYL CORPORATION BERHAD

(Incorporated in Malaysia)

Company No. 516143 - V

**QUARTERLY REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016
(THESE FIGURES ARE UNAUDITED)****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2016 RM'000	Preceding Year Corresponding Quarter 31.10.2015 RM'000	Current Year To Date 31.10.2016 RM'000	Preceding Year Corresponding Period 31.10.2015 RM'000
Revenue	14,925	17,939	48,563	52,704
Other income	84	79	997	443
Interest income from short-term deposits	49	43	152	140
Changes in inventories of finished goods	(626)	(125)	(1,037)	337
Raw materials and consumables used	(8,196)	(9,971)	(27,003)	(29,775)
Remuneration of key management personnel	(320)	(310)	(952)	(942)
Employee benefits expense	(2,099)	(2,046)	(6,292)	(6,031)
Depreciation of property, plant and equipment	(1,244)	(1,255)	(3,740)	(3,699)
Other operating expenses	(2,348)	(2,720)	(7,625)	(7,933)
Profit/(Loss) from operations	225	1,634	3,063	5,244
Finance costs	-	-	-	-
Profit/(Loss) before tax	225	1,634	3,063	5,244
Income tax expense	-	(300)	(480)	(975)
Net Profit/(Loss) for the period	225	1,334	2,583	4,269
Other comprehensive income				
Deferred tax on revaluation surplus	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	225	1,334	2,583	4,269
Net earnings per share				
- Basic	0.23	1.33	2.58	4.27

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the accompanying explanatory notes to the quarterly financial statements.

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**QUARTERLY REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016
(THESE FIGURES ARE UNAUDITED)****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31.10.2016	31.01.2016
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	58,698	59,317
Total Non-Current Assets	58,698	59,317
Current Assets		
Inventories	5,462	6,559
Trade receivables	14,127	14,176
Other receivables, deposits and prepaid expenses	1,888	673
Short-term deposit with a licensed investment bank	6,320	7,667
Cash and bank balances	810	641
Total Current Assets	28,607	29,716
TOTAL ASSETS	87,305	89,033
EQUITY AND LIABILITES		
Capital and Reserve		
Issued capital	50,000	50,000
Share premium	1,504	1,504
Reserves	21,106	21,523
Shareholders' Equity	72,610	73,027
Non-Current Liabilities		
Long term loans – non-current portion	-	-
Deferred tax liabilities	5,287	5,287
Total Non-Current Liabilities	5,287	5,287
Current Liabilities		
Trade payables	6,703	8,295
Other payables and accrued expenses	2,225	1,883
Dividend payable	-	-
Tax liabilities	480	541
Total Current Liabilities	9,408	10,719
Total Liabilities	14,695	16,006
TOTAL EQUITY AND LIABILITES	87,305	89,033

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the accompanying explanatory notes to the quarterly financial statements.

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QUARTERLY REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016**(THESE FIGURES ARE UNAUDITED)****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	31.10.2016 (Quarter) RM'000	31.01.2016 (Full Year) RM'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Profit for the year	2,583	5,944
Adjustments for:		
Depreciation of property, plant and equipment	3,740	4,956
Finance costs	-	-
Income tax (credit) recognized in income statement	480	1,241
Unrealised loss / (gain) on forex	34	(210)
Gain on disposal of property, plant and equipment	(87)	(166)
Inventories written down	191	146
Interest income	(152)	(202)
Operating Profit Before Working Capital Changes	6,789	11,709
(Increase)/Decrease in:		
Inventories	906	(1,928)
Trade receivables	62	(1,433)
Other receivables, deposits and prepayments	(1,215)	(23)
Increase/ (Decrease) in:		
Trade payables	(1,639)	3,500
Other payables and accrued expenses	342	258
Cash Generated From Operations	5,245	12,083
Income tax paid	(541)	(1,541)
Net Cash From Operating Activities	4,704	10,542
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,121)	(3,483)
Proceeds from disposal of property, plant and equipment	87	166
Interest received	152	202
Net Cash Used In Investing Activities	(2,882)	(3,115)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Repayment of term loans	-	-
Repayment of hire-purchase obligations	-	-
Dividend paid	(3,000)	(8,000)
Net Cash from/(Used in) Financing Activities	(3,000)	(8,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,178)	(573)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,308	8,881
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,130	8,308

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the accompanying explanatory notes to the quarterly financial statements.

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QUARTERLY REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016**(THESE FIGURES ARE UNAUDITED)****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued capital RM'000	Share Premium RM'000	Unappropriated profits RM'000	Total RM'000
Balance as of 1 February 2015	50,000	1,504	21,042	72,546
Dividends	-	-	(5,500)	(5,500)
Net profit for the year	-	-	5,944	5,944
Other comprehensive income for the year	-	-	37	37
Balance as of 31 January 2016	50,000	1,504	21,523	73,027
Balance as of 1 February 2016	50,000	1,504	21,523	73,027
Dividends	-	-	(3,000)	(3,000)
Net profit for the year	-	-	2,583	2,583
Other comprehensive income for the year	-	-	-	-
Balance as of 31 October 2016	50,000	1,504	21,106	72,610

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the accompanying explanatory notes to the quarterly financial statements.

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**QUARTERLY REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016
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A NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 OCTOBER 2016.**EXPLANATORY NOTES IN COMPLIANCE TO MFRS 134 ON INTERIM FINANCIAL REPORTING****A1. Accounting policies and basis of preparation**

This interim financial report is unaudited and has been prepared in compliance with the requirements of MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia).

The interim financial report is unaudited and should be read in conjunction with the audited financial statements for the year ended 31 January 2016. The explanatory notes attached to the quarterly financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 January 2016.

A2. Changes in Accounting Policies

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965 in Malaysia.

Adoption of new and revised MFRS

In the current year, the Group and the Company have applied a number of amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for accounting period that begins on or after 1 January 2016:

MFRS 14	Regulatory Deferred Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2012 - 2014 Cycle	

The adoption of these amendments to MFRS have not affected the amounts reported in the financial statements of the Group and of the Company for the current year and prior years.

Accounting Standards in Issue But Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards which were in issue but not yet effective and adopted by the Group and the Company are as listed below:-

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MFRS 9	Financial Instruments ²
MFRS 15	Revenue from Contracts with Customers ² and Clarification to MFRS 15 ²
MFRS 16	Leases ²
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 107	Disclosure Initiative ¹
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and adopted. These Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

A3. Audit Qualification of Annual Financial Statements

The financial statements of the preceding year for the Group and the Company were not subject to any qualifications.

A4. Seasonal or cyclical factors

The Group's interim business operation was not materially affected by seasonal or cyclical factors for the quarter under review.

A5. Unusual nature and amount of items affecting assets, liabilities, equity, net income and cash flows

There are no unusual nature and amount of items affecting assets, liabilities, equity, net income and cash flows of the Group during the quarter under review.

A6. Material changes in estimates of amounts reported in prior periods in current financial year or prior financial years which have material effect in the current interim period

There are no material changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

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A7. Changes in debts and equity securities

There were no issuance, cancellation, repurchases, resale and repayments of debts and equity securities for the current financial quarter ended 31 October 2016.

A8. Dividend

No interim dividend has been paid in the current financial quarter ended 31 October 2016.

A9. Segmental reporting

The Group operates in a single industry in the business of manufacturing and supplying of plastic packaging products in Malaysia. Accordingly, the financial information by industry and geographical segments of the Group's operations are not applicable.

A10. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements ended 31 January 2016.

The total additions to property, plant and equipment for the financial quarter ended 31 October 2016 amounted to RM 1.91 million. During the said period, there was no significant disposal of property, plant and equipment.

A11. Material events subsequent to the current quarter.

There were no items, transaction or event of a material and unusual nature which has arisen which would substantially affect the results of the Group and the Company for the period between 31 October 2016 and the date of this report.

A12. Changes in the composition of the Company

There were no changes in the composition of the Group for the current financial period to date.

A13. Changes in Contingent Assets and Contingent Liabilities

There were no significant changes in contingent assets and liabilities since the last balance sheet as at 31 October 2016. Corporate guarantees given to banks for credit facilities granted to the subsidiary company is currently at RM 6.35 million.

A14. Capital commitments

As at 31 October 2016, the Group has the following capital expenditure relating to purchase of machinery as follows:

	RM'000
Approved and contracted for	<u>528</u>

A15. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.

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**QUARTERLY REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016
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The Group revenue for the current financial quarter ended 31 October 2016 was lower by RM 3.01 million as compared to corresponding quarter ended 31 October 2015.

The Group reported a profit before tax of RM 225 thousand and revenue of RM 14.92 million for the current quarter ended 31 October 2016. In the corresponding interim period ended 31 October 2015, the profit before tax and revenue were RM 1.63 million and RM 17.94 million respectively. The Group's lower performance is mainly caused by a decline in overall demand/orders, the higher cost of raw material due to the weakening ringgit coupled with the increase in minimum wage price floor effective July 2016.

B2. Material change in the quarterly results compared to preceding quarter's results

The revenue recorded for the Group was marginally lower as compared to the preceding financial quarter ended 31 July 2016. Consolidated profit before tax decreased by 57.79% caused by the weakening ringgit coupled with the increase in minimum wage price floor effective July 2016.

B3. Prospects for the current financial year

The Board of Directors is mindful that the current financial year will remain competitive and challenging for the industry. The weakening of the ringgit coupled with increasing costs of production will inevitably affect the Group's profit. Against this backdrop, the Board will continue to focus on improving production efficiency, productivity and processes to ensure that the overall result for FYE 2017 will be satisfactory.

B4. Variance of actual profit from financial forecast or financial guarantee

The disclosure requirement is not applicable for the Group.

B5. Income tax credit / (expense)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2016 RM'000	Preceding Year Corresponding Quarter 31.10.2015 RM'000	Current Year To Date 31.10.2016 RM'000	Preceding Year Corresponding Period 31.10.2015 RM'000
Estimated tax payable	-	(300)	(480)	(975)
Deferred tax	-	-	-	-
Overprovision of Deferred tax in prior year	-	-	-	-
	-	(300)	(480)	(975)

The Group's effective tax rate is not proportionate to the statutory tax rate mainly due to reinvestment allowance claimed by the subsidiary company.

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As of the date of issue of this interim financial report, there were no corporate proposals announced but not completed.

B7. Group borrowings and debt securities

The Group does not have any borrowings and debt securities as at 31 October 2016.

B8. Material litigation

There was no pending material litigation as at the date of this quarterly report.

B9. Dividend

A tax exempt interim dividend of 4% amounting to RM 2,000,000 has been declared for the financial year ending 31 January 2017. The interim tax exempt dividend will be paid on 18th January 2017 to shareholders whose names appear in the Record of Depositors on 6th January 2017.

B10. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period held by the Company.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2016 RM'000	Preceding Year Corresponding Quarter 31.10.2015 RM'000	Current Year To Date 31.10.2016 RM'000	Preceding Year Corresponding Period 31.10.2015 RM'000
Net profit/ (loss) for the period	225	1,334	2,583	4,269
Weighted average number of ordinary share in issue	100,000	100,000	100,000	100,000
Basic earnings per share (sen)	<u>0.23</u>	<u>1.33</u>	<u>2.58</u>	<u>4.27</u>

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EXPLANATORY NOTES TO INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 OCTOBER 2016

B11. Disclosure on realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 October 2016 and 31 January 2016, into realised and unrealised earnings is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010, and prepared in accordance with Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants.

	Current quarter financial period (RM'000) 31.10.2016	As at last financial year end (RM'000) 31.01.2016
Total retained profits / (accumulated losses) of CYL Corporation and its subsidiaries :		
- Realised	17,102	17,275
- Unrealised	4,004	4,248
Total group retained profits as per consolidated accounts	<u>21,106</u>	<u>21,523</u>