

DIRECTORS' REPORT

The directors of **CYL CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended January 31, 2004.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The subsidiary company is principally involved in the business of manufacturing and supplying of plastic packaging products.

The Company was listed on the Second Board of the Bursa Malaysia Securities Berhad (BMSB) on April 21, 2003.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary company during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	8,496,492	2,092,190
Income tax expense	(1,275,982)	(2,796)
Net profit for the year	7,220,510	2,089,394

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the change in accounting policy as disclosed in Notes 3 and 26 to the Financial Statements.

DIVIDENDS

A first and a second tax-exempt interim dividend of 0.63 sen and 0.75 sen each per ordinary share, totalling RM1,327,500 was paid in respect of the current financial year.

The directors have proposed a final tax-exempt dividend of 0.75 sen, amounting to RM750,000 in respect of the current financial year. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the Financial Statements.

The proposed final dividend for 2004 is payable in respect of all ordinary shares in issue as at the date of the Financial Statements.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (Cont'd)

ISSUE OF SHARES AND DEBENTURES

In connection with the listing exercise of the Company on the Second Board of the BMSB, the issued and paid-up share capital of the Company was increased from RM46,071,000 to RM50,000,000 by way of:-

- (a) 4,600,000 new ordinary shares of RM0.50 each to the Malaysian Public and eligible employees, customers and suppliers of the Company and its subsidiary company; and
- (b) 3,258,000 new ordinary shares of RM0.50 each by way of private placement to identified investors.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:-

- (a) which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (Cont'd)

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:-

Tan Sri Abu Talib bin Othman
 Chen Yat Lee
 Lau Kim Lian
 Abd. Malik bin A. Rahman
 Seow Nyoke Yoong
 Chen Wai Ling
 Riznida Eliza binti Hamzah (resigned on 20.6.2003)

In accordance with Article 83 of the Company's Articles of Association, Madam Lau Kim Lian and Ms. Seow Nyoke Yoong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:-

	Number of ordinary shares of RM0.50 each			Balance at 31.1.2004
	Balance at 1.2.2003	Bought	Sold	
Registered in name of director				
Tan Sri Abu Talib bin Othman	18,336,258	–	(1,830,000)	16,506,258
Chen Yat Lee	38,699,640	1,414,440	(5,800,080)	34,314,000
Lau Kim Lian	25,799,760	942,960	(6,056,720)	20,686,000

By virtue of their shareholdings in the Company, the directors are deemed to have an interest in the shares of the subsidiary company to the extent that the Company has an interest.

Other than those disclosed, none of the other directors holding office at the end of the financial year had any interest or beneficial interest in the shares of the Company or its subsidiary company during the financial year.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the subsidiary company and a director of the Company as disclosed in Note 16 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the directors,

CHEN YAT LEE

LAU KIM LIAN

Shah Alam,
May 18, 2004

REPORT OF THE AUDITORS

To The Members Of CYL Corporation Berhad (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of January 31, 2004 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company as of January 31, 2004 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary company have been properly kept in accordance with the provisions of the Act.

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

Our auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

HIEW KIM TIAM
1717/8/05 (J)
Partner

May 18, 2004

INCOME STATEMENTS

For The Year Ended January 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	4	56,919,579	–	2,238,395	–
Other operating income	5	565,266	–	451	–
Recognition of reserve on consolidation		1,663,109	–	–	–
Changes in inventories of finished goods		1,112,979	–	–	–
Raw materials and consumables used		(26,872,932)	–	–	–
Directors' remuneration	6	(1,140,194)	–	(76,800)	–
Staff costs	5	(9,586,929)	–	–	–
Depreciation of property, plant and equipment	11	(5,355,938)	–	–	–
Other operating expenses	5	(8,083,875)	(500)	(69,856)	(500)
Profit/(Loss) from operations		9,221,065	(500)	2,092,190	(500)
Finance costs	7	(724,573)	–	–	–
Profit/(Loss) before tax		8,496,492	(500)	2,092,190	(500)
Income tax expense	8	(1,275,982)	–	(2,796)	–
Net profit/(loss) for the year		7,220,510	(500)	2,089,394	(500)
Earnings/(Loss) per ordinary share					
Basic (sen)	9	7.33	–		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS

As Of January 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
ASSETS (Note 20)					
Property, plant and equipment	11	66,976,240	61,264,420	-	-
Investment in subsidiary company	12	-	-	47,749,184	47,749,184
Current Assets					
Inventories	13	7,631,943	5,529,884	-	-
Trade receivables	14	10,732,635	11,462,228	-	-
Other receivables and prepaid expenses	15	1,474,463	2,183,847	2,333	-
Amount owing by subsidiary company	16	-	-	4,558,143	-
Cash and bank balances		7,437	35,739	1,770	2
		19,846,478	19,211,698	4,562,246	2
Current Liabilities					
Trade payables	17	6,373,647	6,936,040	-	-
Other payables and accrued expenses	18	1,516,843	1,376,934	15,925	500
Amount owing to subsidiary company	16	-	-	-	641,225
Amount owing to directors	19	32,300	18,089	32,300	-
Bank borrowings	20	9,007,651	10,542,101	-	-
Hire-purchase obligations - current portion	21	431,653	499,843	-	-
Tax liabilities		1,526	290,232	1,526	-
		17,363,620	19,663,239	49,751	641,725
Net Current Assets/(Liabilities)		2,482,858	(451,541)	4,512,495	(641,723)
Long-term and Deferred Liabilities					
Long-term loans - non-current portion	22	(4,209,806)	(5,402,359)	-	-
Hire-purchase obligations - non-current portion	21	(229,167)	(181,658)	-	-
Deferred tax liabilities	23	(7,627,330)	(6,458,292)	-	-
		(12,066,303)	(12,042,309)	-	-
Net Assets		57,392,795	48,770,570	52,261,679	47,107,461

BALANCE SHEETS (Cont'd)

As Of January 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Represented by:					
Issued capital	24	50,000,000	46,071,000	50,000,000	46,071,000
Reserves	25	7,392,795	2,699,570	2,261,679	1,036,461
Shareholders' Equity		57,392,795	48,770,570	52,261,679	47,107,461

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended January 31, 2004

The Group	Note	Issued Capital RM	Share Premium RM	Non-distributable Reserve Reserve Arising on Consolidation RM	Unappropriated profit/ (Accumulated Loss) RM	Total RM
Balance as of February 1, 2002		2	-	-	(4,120)	(4,118)
Issue of shares		46,070,998	1,678,186	-	-	47,749,184
Acquisition of subsidiary company		-	-	5,732,992	-	5,732,992
Listing expenses		-	(637,105)	-	-	(637,105)
Net loss for the year		-	-	-	(500)	(500)
Balance as of January 31, 2003						
As previously reported		46,071,000	1,041,081	5,732,992	(4,620)	52,840,453
Prior year adjustment	26	-	-	(4,069,883)	-	(4,069,883)
Balance as of January 31, 2003						
As restated		46,071,000	1,041,081	1,663,109	(4,620)	48,770,570
Issue of shares		3,929,000	1,178,700	-	-	5,107,700
Listing expenses		-	(715,376)	-	-	(715,376)
Recognition during the year	26	-	-	(1,663,109)	-	(1,663,109)
Dividends	10	-	-	-	(1,327,500)	(1,327,500)
Net profit for the year		-	-	-	7,220,510	7,220,510
Balance as of January 31, 2004		50,000,000	1,504,405	-	5,888,390	57,392,795

The Company	Note	Issued Capital RM	Non- distributable Share Premium RM	Unappropriated profit/ (Accumulated Loss) RM	Total RM
Balance as of February 1, 2002		2	-	(4,120)	(4,118)
Issue of shares		46,070,998	1,678,186	-	47,749,184
Listing expenses		-	(637,105)	-	(637,105)
Net loss for the year		-	-	(500)	(500)
Balance as of January 31, 2003		46,071,000	1,041,081	(4,620)	47,107,461
Issue of shares		3,929,000	1,178,700	-	5,107,700
Listing expenses		-	(715,376)	-	(715,376)
Dividends	10	-	-	(1,327,500)	(1,327,500)
Net profit for the year		-	-	2,089,394	2,089,394
Balance as of January 31, 2004		50,000,000	1,504,405	757,274	52,261,679

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

For The Year Ended January 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
Profit/(Loss) before tax		8,496,492	(500)	2,092,190	(500)
Adjustments for:					
Depreciation of property, plant and equipment		5,355,938	-	-	-
Finance costs		724,573	-	-	-
Inventories written off		3,287	-	-	-
Recognition of reserve on consolidation		(1,663,109)	-	-	-
Gain on disposal of property, plant and equipment		(336,022)	-	-	-
Allowance for doubtful debts written back		(115,981)	-	-	-
Interest income		(10,895)	-	(10,895)	-
Dividend income		-	-	(2,227,500)	-
Operating Profit/(Loss) Before Working Capital Changes		12,454,283	(500)	(146,205)	(500)
(Increase)/Decrease in:					
Inventories		(2,105,346)	-	-	-
Trade receivables		845,574	-	-	-
Other receivables and prepaid expenses		669,522	-	(2,333)	-
Amount owing by holding company		-	-	-	-
Amount owing by subsidiary company		-	-	(4,558,143)	-
Increase/(Decrease) in:					
Trade payables		(562,393)	-	-	-
Other payables and accrued expenses		139,909	500	47,725	(3,620)
Amount owing to holding company		-	-	-	-
Amount owing to subsidiary company		-	-	(641,225)	4,120
Amount owing to directors		14,211	-	-	-
Cash Generated From/(Used In)					
Operations		11,455,760	-	(5,300,181)	-
Interest received		10,895	-	10,895	-
Income tax paid		(355,788)	-	(1,270)	-
Dividend received		-	-	2,227,500	-
Net Cash From/(Used In)					
Operating Activities		11,110,867	-	(3,063,056)	-

CASH FLOW STATEMENTS (Cont'd)

For The Year Ended January 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		355,500	–	–	–
Purchase of property, plant and equipment		(10,477,679)	–	–	–
Acquisition of subsidiary company	12	–	(920,833)	–	–
Net Cash Used In Investing Activities		(10,122,179)	(920,833)	–	–
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Issue of shares		5,107,700	–	5,107,700	–
Proceeds from drawdown of term loans		2,907,073	–	–	–
Repayment of term loans		(4,977,440)	–	–	–
Dividends paid		(1,327,500)	–	(1,327,500)	–
Listing expenses		(715,376)	–	(715,376)	–
Interest paid		(824,432)	–	–	–
Repayment of hire-purchase obligations		(520,681)	–	–	–
Decrease in bankers acceptances		(280,000)	–	–	–
Net Cash From/(Used In) Financing Activities		(630,656)	–	3,064,824	–
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		358,032	(920,833)	1,768	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(920,831)	2	2	2
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	(562,799)	(920,831)	1,770	2

Note: The Group acquired property, plant and equipment with an aggregate cost of RM11,087,236 of which RM500,000 was acquired under hire-purchase arrangements. Cash payment for the acquisition of property, plant and equipment amounted to RM10,477,679.

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally an investment holding company.

The subsidiary company is principally involved in the business of manufacturing and supplying of plastic packaging products as disclosed in Note 12.

The Company was successfully listed on the Second Board of the Bursa Malaysia Securities Berhad (BMSB) on April 21, 2003.

Other than as stated, there have been no significant changes in the nature of the principal activities of the Company and its subsidiary company during the financial year.

The total number of employees of the Group and of the Company at year end were 503 (2003 : 587) and Nil (2003 : Nil) respectively.

The registered office of the Company is located at Level 14, Uptown 1, No. 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at No. 12, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on May 18, 2004.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of Malaysian Accounting Standards Board.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified by the revaluation of the subsidiary company's freehold land and buildings and certain plant and machinery.

Revenue

Revenue of the Group represents interest income and gross invoiced value of goods sold less discounts, returns and sales tax. Revenue of the Company represents gross dividend and interest income.

Revenue is recognised on the following basis:-

Gross invoiced value of goods sold - upon delivery of products, net of discount and returns and when the risks and rewards of ownership have passed to the buyer.

Dividend income - when the shareholder's right to receive payment is established.

Interest income - on accrual basis

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate exchange rates prevailing at the transaction dates or, where settlement has not taken place at the end of the financial year, at the approximate exchange rates prevailing at that date. All gains and losses on foreign exchange are taken up in the income statements.

The principal closing rates used in converting foreign currency amounts are as follows:-

	2004 RM	2003 RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.23	2.19

Income Tax

In the previous financial year, the tax effects of transactions are recognised, using the "income statement liability" method, in the year such transactions enter into the determination of net income, regardless of when they are recognised for tax purposes. Where timing differences would give rise to net deferred tax asset, the tax effects are generally recognised on actual realisation.

During the current financial year, the Group and the Company changed their accounting policy in accounting for deferred tax in accordance with MASB Standard No. 25, Income Taxes which became mandatory effective on July 1, 2002. Under MASB 25, deferred tax is accounted for using the "balance sheet liability" method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Under MASB 25, deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

The effects of the change in accounting policy on the financial statements on the current and prior years are shown in Note 26.

Property, Plant and Equipment

Property, plant and equipment, except for freehold land and freehold building under construction which are not depreciated, are stated at cost or valuation less accumulated depreciation and impairment losses.

Land and buildings stated at valuation are revalued at regular intervals of at least once in every five years by the directors based on the valuation reports of independent professional valuers with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Depreciation and amortisation of other property, plant and equipment is computed on the straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows:-

Freehold buildings	Over 38-50 years
Freehold apartments	Over 45 years
Plant and machinery	10%
Office equipment	10%
Furniture and fittings	10%
Motor vehicles	20%
Electrical installation	10%
Containers	20%

Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an assets or its cash generating unit exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which cost it is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property, Plant and Equipment Acquired under Hire-Purchase

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities in the financial statements. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase obligations.

Basis of Consolidation

Subsidiary company is an enterprise controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary company as mentioned in Note 12 made up to January 31, 2004.

The subsidiary company is consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the subsidiary company are measured at their fair values at the date of acquisition.

The results of the subsidiary company acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Reserve on Consolidation

The excess of the fair value of the net tangible assets of subsidiary company at the effective date of acquisition over the purchase consideration is shown as reserve arising on consolidation.

Investment in Subsidiary Company

Investment in unquoted shares of subsidiary company, which is eliminated on consolidation, is stated at cost.

Inventories

Inventories are stated at the lower of cost (determined on the 'first-in, first-out' method) and net realisable value.

The cost of raw materials comprises the original cost of purchase plus the cost incurred in bringing the inventories to their present location. The cost of finished goods includes the cost of raw materials, direct labour and an appropriate proportion of the manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Borrowing Costs

Borrowing costs directly attributable to construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made.

Retirement Benefits

The Group is required by law to make monthly contributions to Employees' Provident Fund (EPF), a statutory defined contribution plan for all its eligible employees. The Group and its employees are required to make monthly contribution to EPF calculated at certain prescribed rates of the employees' salaries. The Group's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in salaries and wages and shown under staff costs.

Cash Flow Statement

The Group and the Company adopt the indirect method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. REVENUE

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of goods	56,908,684	-	-	-
Interest income	10,895	-	10,895	-
Dividend income from subsidiary company	-	-	2,227,500	-
	56,919,579	-	2,238,395	-

5. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:-

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Gain on disposal of property, plant and equipment	336,022	-	-	-
Allowance for doubtful debt no longer required	115,981	-	-	-
Realised gain on foreign exchange	2,642	-	-	-
Rental of staff apartments and houses payable to:-				
A director	(36,000)	-	-	-
Third party	(3,600)	-	-	-
Audit fee	(38,000)	-	(13,000)	(500)
Inventories written off	(3,287)	-	-	-

Included in staff costs of the Group are the Group's contributions to Employees' Provident Fund of RM514,537 (2003 : RMNil).

6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Executive directors:-				
Other emoluments	943,394	-	-	-
Non-executive directors:-				
Fees	192,000	-	72,000	-
Other emoluments	4,800	-	4,800	-
	1,140,194	-	76,800	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. FINANCE COSTS

	The Group	
	2004 RM	2003 RM
Interest on:		
Term loans	527,235	-
Bankers acceptances	222,063	-
Hire-purchase	50,329	-
Bank overdrafts	34,503	-
	834,130	-
Less: Interest on term loan capitalised:		
Property, plant and equipment (Note 11)	(109,557)	-
	724,573	-

8. INCOME TAX EXPENSE

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Estimated tax payable:				
Current year	181,476	-	2,796	-
Overprovision in prior years	(74,532)	-	-	-
	106,944	-	2,796	-
Deferred tax: (Note 23)				
Current year	1,246,829	-	-	-
Overprovision in prior year	(77,791)	-	-	-
	1,169,038	-	-	-
	1,275,982	-	2,796	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The tax for the year can be reconciled to the profit before tax per the income statements as follows:-

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before tax	8,496,492	–	2,092,190	–
Tax at the applicable tax rate of 28%	2,379,018	–	585,810	–
Tax effects of:				
Income that are not taxable in determining taxable profit	(540,648)	–	(623,700)	–
Expenses that are not deductible in determining taxable profit	151,925	–	40,686	–
Reinvestment allowances	(510,250)	–	–	–
Difference in applicable tax rate	(40,000)	–	–	–
Overprovision of current tax liability in prior years	(74,532)	–	–	–
Overprovision of deferred tax liability in prior year	(77,791)	–	–	–
Others	(11,740)	–	–	–
	1,275,982	–	2,796	–

The subsidiary company is entitled to claim reinvestment allowances under Schedule 7A of the Income Tax Act, 1967. As of January 31, 2004, the cumulative reinvestment allowances claimed by the subsidiary company totalled RM35,810,344 (2003 : RM31,857,964), subject to agreement by the Inland Revenue Board, of which an amount of RM22,112,819 (2003 : RM20,290,494) has been utilised to offset against the business income in the current and prior years. The balance of unutilised reinvestment allowances amounting to RM13,697,525 (2003 : RM11,567,470) is available for offset against future business income. The amount of reinvestment allowances utilised will enable the subsidiary company to pay tax-exempt dividends to its shareholder.

As of January 31, 2004, the Company has tax-exempt income amounting to RM2,227,500 arising from tax-exempt dividend income received from its subsidiary company, which is available for the distribution of tax exempt dividends to its shareholders.

As of January 31, 2004, the subsidiary company has tax-exempt income arising from the chargeable income on which income tax has been waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999 amounting to RM1,955,876 (2003 : RM2,533,376). As of January 31, 2004, the balance of the subsidiary company's tax-exempt income account arising from the reinvestment allowances utilised and the tax waiver year amounted to RM20,108,695 (2003 : RM20,513,870) which, subject to the approval of the Inland Revenue Board, will enable the subsidiary company to pay tax-exempt dividends to the shareholder of the subsidiary company.

9. EARNINGS/(LOSS) PER ORDINARY SHARE

Earnings per ordinary shares for the current financial year has been computed based on the Group's net profit for the year of RM7,220,510 divided by the weighted average number of ordinary shares in issue of 98,557,573 during the financial year.

Loss per ordinary share in 2003 has been computed based on the Group's net loss for the year of RM500 divided by the weighted average number of ordinary shares in issue of 252,446 during the financial year. The computed loss per ordinary share is negligible.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. DIVIDENDS

	The Company	
	2004 RM	2003 RM
First interim tax-exempt dividend paid - 0.63 sen in 2004, Nil in 2003	577,500	-
Second interim tax-exempt dividend paid - 0.75 sen in 2004, Nil in 2003	750,000	-
	1,327,500	-

The directors have proposed a final tax-exempt dividend of 0.75 sen, amounting to RM750,000 in respect of the current financial year. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the Financial Statements.

The proposed final dividend for 2004 is payable in respect of all ordinary shares in issue as at the date of the Financial Statements.

11. PROPERTY, PLANT AND EQUIPMENT

The Group Cost (except otherwise stated)	At beginning of year RM	Additions RM	Disposals RM	Reclassifications RM	At end of year RM
Freehold land					
- at 2000 valuation	13,010,800	-	-	(280,800)	12,730,000
- at cost	2,085,177	3,304,388	-	280,800	5,670,365
Freehold buildings					
- at 2000 valuation	15,192,960	-	-	-	15,192,960
- at cost	465,094	362,857	-	(11,576)	816,375
Freehold building under construction	-	1,134,839	-	11,576	1,146,415
Freehold apartments					
- at 2000 valuation	932,080	-	-	-	932,080
Plant and machinery					
- at 1989 valuation	705,000	-	(80,000)	-	625,000
- at cost	51,261,827	5,406,613	(278,380)	1,283,798	57,673,858
Plant and machinery under hire purchase	1,976,158	532,500	-	(1,283,798)	1,224,860
Office equipment	1,103,435	153,646	-	-	1,257,081
Furniture and fittings	355,833	83,893	-	-	439,726
Motor vehicles	2,355,591	108,500	(220,204)	-	2,243,887
Motor vehicles under hire-purchase	441,243	-	-	-	441,243
Electrical installation	852,621	-	-	-	852,621
Containers	78,920	-	-	-	78,920
Total	90,816,739	11,087,236	(578,584)	-	101,325,391

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The Group	At beginning of year RM	Charge for the Year RM	Disposals RM	Reclassi- fications RM	At end of year RM	Net book value	
Accumulated Depreciation						2004 RM	2003 RM
Freehold land							
- at 2000 valuation	-	-	-	-	-	12,730,000	13,010,800
- at cost	-	-	-	-	-	5,670,365	2,085,177
Freehold buildings							
- at 2000 valuation	2,182,962	361,016	-	-	2,543,978	12,648,982	13,009,998
- at cost	2,661	10,599	-	-	13,260	803,115	462,433
Freehold building under construction	-	-	-	-	-	1,146,415	-
Freehold apartments							
- at 2000 valuation	92,080	20,713	-	-	112,793	819,287	840,000
Plant and machinery							
- at 1989 valuation	705,000	-	(80,000)	-	625,000	-	-
- at cost	23,089,088	4,352,758	(258,903)	292,521	27,475,464	30,198,394	28,172,739
Plant and machinery under hire-purchase	288,830	147,933	-	(292,521)	144,242	1,080,618	1,687,328
Office equipment	472,894	104,912	-	-	577,806	679,275	630,541
Furniture and fittings	267,150	20,896	-	-	288,046	151,680	88,683
Motor vehicles	1,855,540	194,234	(220,203)	-	1,829,571	414,316	500,051
Motor vehicles under hire-purchase	108,888	88,249	-	-	197,137	244,106	332,355
Electrical installation	408,315	54,628	-	-	462,943	389,678	444,306
Containers	78,911	-	-	-	78,911	9	9
Total	29,552,319	5,355,938	(559,106)	-	34,349,151	66,976,240	61,264,420

In 1989, a parcel of the subsidiary company's freehold land and certain plant and machinery were revalued by the directors based upon valuation carried out by an independent firm of professional valuers using open market value basis. The surplus of RM991,180 arising from the revaluation had been credited to capital reserve of the said subsidiary company, of which an amount of RM500,000 was utilised for a bonus issue of ordinary shares in prior years. A deferred tax liability of RM211,709 is provided on the revaluation surplus.

The entire land and buildings of the subsidiary company were revalued again by the directors in 2003 based on a valuation carried out on June 20, 2000 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 Securities Commission. The additional surplus arising from the revaluation amounting to RM8,553,740 (net of deferred tax of RM868,811) has been credited to the revaluation reserve account of the said subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Had these assets been carried at historical cost, the historical costs and carrying values of the revalued land and buildings of the said subsidiary company as of January 31, 2004 are as follows:-

	Historical Cost RM	Carrying Values RM
Freehold land	5,036,506	5,036,506
Freehold buildings	12,950,117	10,886,869
Freehold apartments	734,880	655,515
	18,721,503	16,578,890

Certain property, plant and equipment of the Group with a net book value of RM34,145,887 (2003 : RM61,264,420) as of January 31, 2004 are charged to certain local banks to secure credit facilities and long-term loans as mentioned in Note 20.

Included in freehold building under construction of the Group is interest expense on borrowings capitalised amounting to RM109,557 (2003 : RMNil) during the financial year.

As of January 31, 2004, the strata titles to the apartments on freehold land of the subsidiary company have not been issued yet.

Included in property, plant and equipment of the Group are fully depreciated plant and machinery which are still in use, with costs totalling RM12,781,853 (2003 : RM9,904,097) as of January 31, 2004.

The carrying amount of plant and machinery of the Group which are temporarily not in active use amounted to approximately RM809,341 (2003 : RM1,092,104) as of January 31, 2004.

12. INVESTMENT IN SUBSIDIARY COMPANY

	The Company	
	2004 RM	2003 RM
Unquoted shares - at cost	47,749,184	47,749,184

The details of the subsidiary company, which is incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2004	2003	
Direct Subsidiary Company			
Perusahaan Jaya Plastik (M) Sdn. Bhd.	100%	100%	Manufacturing and supplying of plastic packaging products

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

In 2003, the Company acquired the entire equity interest in Perusahaan Jaya Plastik (M) Sdn. Bhd., a company incorporated in Malaysia. The effect of the acquisition on the financial position of the Group as at the date of acquisition is as follows:-

	Audited January 31, 2003 RM
Net assets acquired as at date of acquisition:-	
Property, plant and equipment	61,264,420
Inventories	5,529,884
Trade receivables	11,462,228
Other receivables and prepaid expenses	2,825,072
Cash and bank balances	35,737
Trade payables	(6,936,040)
Other payables and accrued expenses	(1,376,434)
Amount owing to directors	(18,089)
Bank borrowings	(7,136,570)
Hire-purchase obligations	(681,501)
Term loans	(8,807,890)
Tax liabilities	(290,232)
Deferred tax liabilities (restated)	(6,458,292)
Net assets acquired	49,412,293
Less: Issue of ordinary shares	(47,749,184)
Reserve arising on consolidation (restated)	(1,663,109)
Cash and cash equivalents acquired	(920,833)
Cash flow on acquisition	(920,833)

13. INVENTORIES

Inventories consist of the following:-

	The Group	
	2004 RM	2003 RM
At cost:		
Raw materials	3,011,568	2,094,539
Finished goods	3,782,269	2,669,290
Packing materials	838,106	766,055
Total	7,631,943	5,529,884

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14. TRADE RECEIVABLES

	The Group	
	2004 RM	2003 RM
Trade receivables	10,984,492	11,830,066
Allowance for doubtful debts	(251,857)	(367,838)
	10,732,635	11,462,228

Trade receivables of the Group comprise amounts receivable for the trading and sales of goods. The credit period granted to the trade receivables of the Group ranges from 60 to 90 days (2003 : 60 to 90 days).

The Group's historical experience in collection of trade receivables falls within the recorded credit period and management believes that no additional credit risk for collection losses is inherent in the Group's trade receivables. An allowance of RM251,857 (2003 : RM367,838) has been made for estimated irrecoverable amounts based on management's past default experience.

The currency exposure profile of trade receivables of the Group is as follows:-

	The Group	
	2004 RM	2003 RM
US Dollar	179,010	124,930
Singapore Dollar	1,642	2,286

15. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	142,525	827,575	1,838	-
Tax recoverable	272,283	312,145	-	-
Refundable deposits	876,367	823,762	500	-
Prepaid expenses	137,188	174,265	-	-
Investments - at cost	85,100	85,100	-	-
Allowance for diminution in value	(39,000)	(39,000)	-	-
	46,100	46,100	-	-
	1,474,463	2,183,847	2,333	-

Other receivables of the Group in 2004 represent mainly levy paid on behalf of the foreign workers.

Other receivables of the Group in 2003 represent mainly outstanding amount receivable from the disposal of a parcel of leasehold land and levy paid on behalf of the foreign workers.

Investments of the Group represent transferable golf club membership paid for certain directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16. RELATED PARTY TRANSACTIONS AND BALANCES

Amount owing by/to subsidiary company arose mainly from advances and payments made on behalf of the Company. These amounts are unsecured, interest-free and have no fixed terms of repayment.

Other than disclosed elsewhere in the financial statements, the related parties and their relationship with the Company as of January 31, 2004 are as follows:-

Name of related parties	Relationship
Perusahaan Jaya Plastik (M) Sdn. Bhd.	Wholly owned subsidiary company
Mr. Chen Yat Lee	Director of the Company

The financial statements of the Group reflect the following significant related party transaction during the financial year:-

	The Group	
	2004 RM	2003 RM
Mr. Chen Yat Lee		
Rental of staff apartments and house	36,000	-

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent parties.

17. TRADE PAYABLES

Trade payables of the Group comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases ranges from 90 to 120 days (2003 : 90 to 120 days).

The currency exposure profile of trade payables of the Group is as follows:-

	The Group	
	2004 RM	2003 RM
US Dollar	1,289,150	866,570

18. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other payables	1,354,709	1,153,650	-	-
Accrued expenses	162,134	223,284	15,925	500
	1,516,843	1,376,934	15,925	500

Other payables of the Group comprise mainly outstanding amount payable for the purchase of machinery, manufacturing moulds, utilities and staff costs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. AMOUNT OWING TO DIRECTORS

The amount owing to directors represents mainly outstanding bonus and fees payable to the directors of the Company. These amounts are unsecured, interest-free and have no fixed terms of repayment.

20. BANK BORROWINGS

Bank borrowings consist of the following:-

	The Group	
	2004 RM	2003 RM
Bank overdrafts	570,236	956,570
Bankers acceptances	5,900,000	6,180,000
Long-term loans - current portion (Note 22)	2,537,415	3,405,531
Total	9,007,651	10,542,101

As of January 31, 2004, the Group has bank overdrafts and other credit facilities obtained from local banks totalling RM29,600,000 (2003 : RM17,150,000) which bear interest at rates ranging from 3.00% to 8.40% (2003 : 3.10% to 8.40%) per annum.

These facilities are secured by the following:-

- (a) A debenture with fixed and floating charges over the entire assets of the subsidiary company;
- (b) Legal charges on certain freehold land and buildings of the subsidiary company;
- (c) Joint and several guarantee by two of the directors of the Company.

21. HIRE-PURCHASE OBLIGATIONS

Hire-purchase obligations are as follows:-

	The Group	
	2004 RM	2003 RM
Total outstanding	703,374	748,409
Less: Interest-in-suspense outstanding	(42,554)	(66,908)
Principal amount outstanding	660,820	681,501
Less: Portion due within one year, included under current liabilities	(431,653)	(499,843)
Non-current portion	229,167	181,658

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The non-current portion is repayable as follows:-

	The Group	
	2004 RM	2003 RM
Financial year ending January 31:-		
2005	–	181,658
2006	229,167	–

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The term for these hire-purchase is 1 to 3 years. For the financial year ended January 31, 2004, these obligations bear effective interest rates ranging from 1.64% to 8.23% (2003 : 1.93% to 8.23%) per annum. Interest rate is fixed at the inception of the hire-purchase arrangements.

The hire-purchase obligations of the Group with the financial institutions are guaranteed by two of the directors of the Company and corporate guarantee of the Company.

22. LONG-TERM LOANS

The long-term loans of the Company are as follows:-

	The Group	
	2004 RM	2003 RM
Outstanding loan principal	6,747,221	8,807,890
Less: Portion due within one year, included under bank borrowings (Note 20)	(2,537,415)	(3,405,531)
Non-current portion	4,209,806	5,402,359

The long-term loans of the Group are secured by collateral as disclosed in Note 20.

The long-term loans bear interest at rates ranging from 4.30% to 7.90% (2003 : 5.00% to 8.40%) per annum.

The non-current portion of the long-term loans is repayable as follows:-

	The Group	
	2004 RM	2003 RM
Financial years ending January 31:-		
2005	–	2,541,567
2006	1,444,593	1,280,133
2007	295,013	445,729
2008 and above	2,470,200	1,134,930
	4,209,806	5,402,359

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. DEFERRED TAX LIABILITIES

	The Group	
	2004 RM	2003 RM
Balance at beginning of year (Restated)	6,458,292	–
Transfer from income statement (Note 8)	1,169,038	–
Acquisition of subsidiary company	–	6,458,292
Balance at end of year	7,627,330	6,458,292

The net deferred tax liabilities are in respect of the following:-

	The Group Deferred Tax Assets/ (Liabilities)	
	2004 RM	2003 RM
Property, plant and equipment	(6,927,410)	(5,584,039)
Revaluation surplus on land and buildings	(871,380)	(883,119)
Others	171,460	8,866
	(7,627,330)	(6,458,292)

24. SHARE CAPITAL

Share capital is represented by:-

	The Company	
	2004 RM	2003 RM
Authorised:-		
Ordinary shares of RM1 each:-		
At beginning of year	–	100,000
Subdivision of shares	–	(100,000)
At end of year	–	–
Ordinary shares of RM0.50 each:-		
At beginning of year	100,000,000	–
Subdivision of shares	–	100,000
Created during the year	–	99,900,000
At end of year	100,000,000	100,000,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	The Company	
	2004 RM	2003 RM
Issued and fully paid:		
Ordinary shares of RM1 each:		
At beginning of year	–	2
Subdivision of shares	–	(2)
At end of year	–	–
Ordinary shares of RM0.50 each:		
At beginning of year	46,071,000	–
Subdivision of shares	–	2
Issued during the year	3,929,000	46,070,998
At end of year	50,000,000	46,071,000

In connection with the listing exercise of the Company on the Second Board of the Bursa Malaysia Securities Berhad, the issued and paid-up share capital of the Company was increased from RM46,071,000 to RM50,000,000 by way of:-

- (a) 4,600,000 new ordinary shares of RM0.50 each to the Malaysian Public and eligible employees, customers and suppliers of the Company and its subsidiary company; and
- (b) 3,258,000 new ordinary shares of RM0.50 each by way of private placement to identified investors.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

The resultant premium amounting to RM1,178,700 arising from the shares issued have been credited to the share premium account as disclosed in Note 25.

25. RESERVES

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable:				
Share premium	1,504,405	1,041,081	1,504,405	1,041,081
Reserve arising on consolidation (restated)	–	1,663,109	–	–
Distributable:				
Unappropriated profit/ (Accumulated loss)	5,888,390	(4,620)	757,274	(4,620)
	7,392,795	2,699,570	2,261,679	1,036,461

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Share premium

Share premium of RM2,856,286 arose from the issuance of 92,141,996 and 7,858,000 new ordinary shares of RM0.50 each in the Company at an issue price of approximately RM0.52 and RM0.65 per ordinary share pursuant to the acquisition of the subsidiary company and public issue.

As of January 31, 2004, the listing expenses of RM1,352,481 (2003 : RM637,105) which have been incurred by the Company were written off against the share premium account.

Reserve arising on consolidation

Reserve arising on consolidation represents the excess of the fair value of the net tangible assets of the subsidiary company acquired at the effective date of acquisition over the purchase consideration.

Unappropriated profit

Distributable reserves are those available for distribution by way of dividends.

Taking into consideration of the tax-exempt income as mentioned in Note 8, the estimated tax credits available and the prevailing tax rate applicable to dividends, the unappropriated profits of the Company as of January 31, 2004 is available for distribution by way of cash dividends without additional tax liability being incurred.

26. CHANGE IN ACCOUNTING POLICY AND PRIOR YEARS' ADJUSTMENTS

As explained in Note 3, the Group and the Company changed their accounting policy in accounting for deferred taxation in accordance with MASB 25, Income Taxes which became mandatory effective on July 1, 2002.

The effect of the above mentioned change in accounting policy is to reduce the profit after tax of the Group by RM1,355,000 for the current financial year and to correspondingly increase the deferred tax liability by the same amount.

In accordance with the new accounting policy, a provision of RM4,069,883 for deferred tax liabilities was made by the subsidiary company as a prior year adjustment, resulting in an adjustment of the same amount to the fair values of the net tangible assets of the subsidiary company at the date of acquisition by the Company in prior year. Accordingly, the reserve on consolidation has been restated from RM5,732,992 as previously reported to RM1,663,109 which, in view of its significant reduction, has been fully recognised in the income statement for the current financial year. Deferred tax liabilities has also been restated from the amount previously reported of RM2,388,409 to RM6,458,292.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:-

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash and bank balances	7,437	35,739	1,770	2
Bank overdrafts (Note 20)	(570,236)	(956,570)	-	-
	(562,799)	(920,831)	1,770	2

28. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

Foreign currency risk

The Group's exposure to foreign currency risk of United States Dollar (USD) and other foreign currencies is minimal as its transactions are mainly denominated in Ringgit Malaysia (RM).

The imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's bank borrowings, hire-purchase obligations and term loans, which bear interest as disclosed in Notes 20, 21 and 22 respectively. As of January 31, 2004, the bank borrowings are classified as short-term and therefore the exposure to the effects of future changes in prevailing level of interest rates is limited. The exposure to the effects of future changes in prevailing level of interest rates of hire-purchase obligations and term loans is not significant to the Group.

Market risk

The Group has in place policies to manage the exposure to fluctuation in the prices of the key raw materials used in the business of manufacturing and supplying of plastic packaging products and to manage its competitive risks from its competitors in providing better alternatives in terms of competitive pricing and quality products.

Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. The Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of January 31, 2004, is the carrying amount of these receivables as disclosed in the balance sheet.

Liquidity risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are trade receivables and cash and bank balances. The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities include trade payables, other payables, bank overdrafts, bankers acceptances, hire-purchase obligations and term loans.

Fair Values

As of January 31, 2004, the fair value of the financial assets and financial liabilities, reported in the balance sheet approximate the carrying amount of those assets and liabilities because of the immediate or short-term maturity of these financial instruments, except as follows:-

	Note	The Group Carrying Amount RM	Fair Value RM
Financial Liabilities			
Hire-purchase obligations	21	660,820	657,122
Term loans	22	6,747,221	5,808,369

The fair value of the hire-purchase obligations and term loans of the Group is estimated using the discounted cash flow analysis based on interest rates of the subject hire-purchase obligations and term loans.

It is not practical to estimate the fair value of the investment in subsidiary company. As at year end, based on the audited financial statements, the Company's share of net tangible assets of investment in subsidiary company amounted to RM52,880,300.

29. SEGMENT REPORTING

The Group operates in a single industry in the business of manufacturing and supplying of plastic packaging products as disclosed in Note 12 and principally in Malaysia. Accordingly, the financial information by industry and geographical segments of the Group's operations are not presented.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30. CONTINGENT LIABILITIES - Unsecured

As of January 31, 2004, the Group and the Company is contingently liable in respect of a guarantee given for hire-purchase facility of RM500,000 granted by a local financial institution to the subsidiary company. Accordingly, the Group and the Company are contingently liable to the extent of the facility utilised.

31. CAPITAL COMMITMENTS

As of January 31, 2004, the Group has the following commitments:-

	The Group	
	2004 RM	2003 RM
Approved and contracted for:-		
Construction of factory building	2,142,750	-
Purchase of plant and machinery	3,162,992	-
	5,305,742	-
Approved but not contracted for:-		
Acquisition of land and machinery	-	9,000,000

32. COMPARATIVE FIGURES

Certain comparative figures of the Group have been reclassified to conform with the presentation in the current financial year. Accordingly, the following accounts in the previous financial year have been restated.

The Group	As previously stated RM	As restated RM
As of January 31, 2003		
Investments	46,100	-
Other receivables and prepaid expenses	2,137,747	2,183,847
Trade payables	4,008,195	6,936,040
Other payables and accrued expenses	4,304,779	1,376,934

STATEMENT BY DIRECTORS

The directors of **CYL CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of January 31, 2004 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the directors,

CHEN YAT LEE

LAU KIM LIAN

Shah Alam,
May 18, 2004

DECLARATION

BY THE DIRECTOR PRIMARILY RESPONSIBLE
FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LAU KIM LIAN**, the director primarily responsible for the financial management of **CYL CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LAU KIM LIAN

Subscribed and solemnly declared by the
abovenamed **LAU KIM LIAN** at **KUALA
LUMPUR** this 18th day of May, 2004.

Before me,

LAM THENG SUM AMN, PPN
NO. W 244
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

As At January 31, 2004

A summary of the information on the landed properties of CYL Group as at January 31, 2004 are as follows:-

Title/ Location	Existing use/ Description of property	Area (sq. ft.)	Tenure	Approximate age of building (years)	Net book value as at January 31, 2004 RM	Date of Valuation */ Date of Acquisition #
Held under Title No. H.S. (D) 184080, Lot No. PT 76, Mukim of Pekan Hicom, District of Petaling, State of Selangor <i>(after amalgamation of land title)</i>	Industrial/ A three storey office building annexed with three single storey factory building	226,466	Freehold	7 - 10	22,090,123	June 15, 2000 *
8-10-12, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan						
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	Freehold	13	3,645,855	June 15, 2000 *
Lot 23, Jalan Jaya Setia 26/3, Section 26, Hicom Industrial Estate, 40000 Shah Alam Selangor Darul Ehsan						
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	Freehold	10	407,805	June 15, 2000 *
36, Jalan Batu Belah 27/96, Section 27, 40000 Shah Alam Selangor Darul Ehsan						
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	Freehold	8	819,287	June 15, 2000 *
Ten Units of Medium Cost Apartment located at Taman Bunga Negara, (Hicom Sector B), Section 26/27, 40400 Shah Alam Selangor Darul Ehsan						

LIST OF PROPERTIES (Cont'd)

As At January 31, 2004

Title/ Location	Existing use/ Description of property	Area (sq. ft.)	Tenure	Approximate age of building (years)	Net book value as at January 31, 2004 RM	Date of Valuation */ Date of Acquisition #
Held under Title No. H.S.(D) 63660 Lot No. PT 663 Mukim of Damansara, District of Petaling, State of Selangor 34, Jalan Batu Belah 27/96, Section 27, 40000 Shah Alam Selangor Darul Ehsan	A 1 ½ storey factory	3,900	Freehold	10	402,870	November 5, 2001 #
Held under Title No. H.S.(D) 63630 Lot No. PT 632 Mukim of Damansara, District of Petaling, State of Selangor 4, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan	Industrial/ factory building and warehouse under construction	55,565	Freehold	Not applicable	4,260,973	August 20, 2002 #
Held under Title No. H.S.(D) 63631 Lot No. PT 633 Mukim of Damansara, District of Petaling, State of Selangor 2, Jalan Teluk Gadung 27/93, Section 27, 40000 Shah Alam Selangor Darul Ehsan	Industrial land	55,565	Freehold	Not applicable	2,191,251	June 2, 2003 #

ANALYSIS OF SHAREHOLDINGS

As At June 8, 2004

Authorised Share Capital	:	RM100 million
Issued and Paid Up Capital	:	RM 50 million
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One (1) vote per Ordinary Share

SHAREHOLDINGS DISTRIBUTION

Size of Holdings	No. of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	3	142	0.00
100 – 1,000	338	328,600	0.32
1,001 – 10,000	1,339	6,747,500	6.75
10,001 – 100,000	383	11,575,300	11.58
100,001 – less than 5% of issued shares	30	12,942,200	12.94
5% and above of issued shares	3	68,406,258	68.41
Total	2,096	100,000,000	100.00

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

No.	Name	No. of Shares Held	% of Issued Capital
1.	CHEN YAT LEE	31,314,000	31.31
2.	LAU KIM LIAN	20,686,000	20.69
3.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ABU TALIB BIN OTHMAN	16,406,258	16.41
4.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEN YAT LEE (MM1133)</i>	3,000,000	3.00
5.	AMFINANCE BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR FADZLULLAH SHUHAIMI BIN SALLEH (APPI)</i>	2,303,600	2.30
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>EON FINANCE BERHAD FOR HAW HOCK KOK @ LOW HOCK KOK</i>	2,107,000	2.11
7.	LEE SANG YAT	500,000	0.50
8.	CHAN YIK CHEUNG @ CHAN YIT CHEONG	470,000	0.47
9.	HAW HOCK KOK @ LOW HOCK KOK	442,800	0.44
10.	CHEN YIN KHE	395,000	0.40
11.	HDM NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW IT CHEW (MEM06)</i>	337,300	0.34

ANALYSIS OF SHAREHOLDINGS (Cont'd)

As At June 8, 2004

No.	Name	No. of Shares Held	% of Issued Capital
12.	CHOW YOON YEE @ CHOE YOON YEE	326,000	0.33
13.	LEE SENG CHIT	306,000	0.31
14.	NOR AZUWA BINTI MOHAMED ALI	261,000	0.26
15.	AFFIN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (SXM659)</i>	200,000	0.20
16.	CHONG YUEN KHIN	180,000	0.18
17.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHUNG CHIT MIN (313AQ2091)</i>	152,000	0.15
18.	CITICORP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOW SIEW MOI (470138)</i>	150,000	0.15
19.	HLG NOMINEE (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG SIEW LAN</i>	150,000	0.15
20.	LIM HWI PHENG	145,000	0.14
21.	LONG NYOK HWA	131,000	0.13
22.	UNITED OVERSEAS NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JACOB LIM HOONG TEONG (MSB)</i>	125,000	0.13
23.	BATKOM BENA SDN BHD	120,000	0.12
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAI MENG (MM1088)</i>	120,000	0.12
25.	JF APEX NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHONG CHAI YIN</i>	118,000	0.12
26.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HONG (DLR 088-MARGIN)</i>	115,000	0.11
27.	CITICORP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG AH HOOI (470867)</i>	113,000	0.11
28.	LOW HUA PENG	111,000	0.11
29.	CHEONG YUEN LAI	110,500	0.11
30.	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE KONG BENG</i>	110,000	0.11
		81,005,458	81.01

ANALYSIS OF SHAREHOLDINGS (Cont'd)

As At June 8, 2004

DIRECTORS' SHAREHOLDINGS

No.	Name	Direct Interest	No of Shares Held		% of Issued Capital
			% of Issued Capital	Deemed Interest	
1.	Chen Yat Lee	34,314,000	34.31	-	-
2.	Lau Kim Lian	20,686,000	20.69	-	-
3.	Tan Sri Abu Talib Bin Othman	16,406,258	16.41	-	-
4.	Chen Wai Ling	-	-	-	-
5.	Abd. Malik bin A. Rahman	-	-	-	-
6.	Seow Nyoke Yoong	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct Interest	No of Shares Held		% of Issued Capital
			% of Issued Capital	Deemed Interest	
1.	Chen Yat Lee	34,314,000	34.31	-	-
2.	Lau Kim Lian	20,686,000	20.69	-	-
3.	Alliance Group Nominees (Tempatan) Sdn Bhd - Tan Sri Abu Talib Bin Othman	16,406,258	16.41	-	-

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CYL CORPORATION BERHAD

(Company No. 516143-V)
(Incorporated in Malaysia under the Companies Act, 1965)

Proxy Form

Number of Shares held

I/We, _____
of _____
being a member/members of the above-named Company do hereby appoint _____
_____ of _____
or failing him/her, _____
of _____

as my/our proxy to vote for me/us on my/our behalf at the Fourth (4th) Annual General Meeting of the Company to be held at Conference Room, Level 3, Eastin Hotel, 13 Jalan 16/11, Pusat Dagang Seksyen 16, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, July 30, 2004 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

No.	Resolutions	For	Against
1.	To receive the Audited Financial Statements for the financial year ended January 31, 2003 together with the Directors' and Auditors' Reports thereon.		
2.	To declare a final tax-exempt dividend of 0.75 sen for the financial year ended January 31, 2004.		
3.	To approve the payment of Directors' Fees not exceeding RM300,000.00 for each financial year.		
	To re-elect the following Directors, who are retiring pursuant to Article 83 of the Company's Articles of Association who being eligible offer themselves for re-election:-		
4.	i. Madam Lau Kim Lian		
5.	ii. Ms Seow Nyoke Yoong		
6.	To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Dated this _____ day of _____ 2004.

Signature:-
Shareholder or Common Seal

NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or attorney or other duly authorised representative to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who appoints two (2) or more proxies shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney and in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer on behalf of the corporation.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

**The Company Secretaries
CYL Corporation Berhad**

(Co. 516143-V)
Level 14, Uptown 1
1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

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