

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 2nd Quarter Ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2010 RM'000	CURRENT YEAR TO DATE 30.06.2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2010 RM'000
Revenue	11,742	3,382	19,304	7,685
Cost of sales	<u>(8,219)</u>	<u>(1,144)</u>	<u>(12,049)</u>	<u>(2,285)</u>
Gross profit	3,523	2,238	7,255	5,400
Other income	611	488	1,063	866
Distribution and selling expenses	(137)	(244)	(242)	(331)
Administrative expenses	(1,203)	(1,097)	(2,331)	(2,056)
Other expenses	(393)	(406)	(714)	(683)
Finance income	(24)	74	69	137
Finance costs	<u>(4)</u>	<u>(3)</u>	<u>(8)</u>	<u>(5)</u>
Profit before taxation	2,373	1,050	5,092	3,328
Taxation	<u>(631)</u>	<u>(244)</u>	<u>(1,296)</u>	<u>(994)</u>
Net profit for the period	<u>1,742</u>	<u>806</u>	<u>3,796</u>	<u>2,334</u>
Attributable to:				
Equity holders	<u>1,742</u>	<u>806</u>	<u>3,796</u>	<u>2,334</u>
Earnings per share (sen)				
(a) Basic	1.02 @	0.47 @	2.22 @	1.37 @
(b) Fully diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

@ based on 170,793,000 ordinary shares of 10 sen each

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Company's No.: 642619-P
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Quarterly Report on Results for the 2nd Quarter Ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(The figures have not been audited)

	AS AT 30.06.2011 RM'000	AS AT 31.12.2010 RM'000
NON-CURRENT ASSETS		
<i>Property, plant and equipment</i>	9,292	7,069
<i>Prepaid lease payment on leasehold land</i>	12,472	8,042
<i>Investment property</i>	7,340	7,340
<i>Goodwill on consolidation</i>	584	584
	<u>29,688</u>	<u>23,035</u>
CURRENT ASSETS		
<i>Investment in unit trusts</i>	4,448	4,114
<i>Investment in bond fund</i>	-	3,468
<i>Inventories</i>	654	640
<i>Trade receivables</i>	11,771	5,133
<i>Other receivables</i>	601	3,868
<i>Tax recoverable</i>	419	480
<i>Deposits, cash and bank balances</i>	7,782	6,697
	<u>25,675</u>	<u>24,400</u>
CURRENT LIABILITIES		
<i>Borrowings</i>	525	63
<i>Deferred income</i>	240	240
<i>Trade payables</i>	1,370	121
<i>Other payables</i>	1,129	1,535
<i>Tax payables</i>	232	12
	<u>3,496</u>	<u>1,971</u>
NET CURRENT ASSETS	<u>22,179</u>	<u>22,429</u>
	<u>51,867</u>	<u>45,464</u>
REPRESENTED BY:		
<i>Share capital</i>	17,079	17,079
<i>Share premium</i>	4,522	4,522
<i>Retained profits</i>	26,411	22,615
<i>Shareholders' Equity</i>	<u>48,012</u>	<u>44,216</u>
NON CURRENT LIABILITIES		
<i>Borrowings</i>	2,945	188
<i>Deferred tax liabilities</i>	410	440
<i>Deferred income</i>	500	620
	<u>3,855</u>	<u>1,248</u>
	<u>51,867</u>	<u>45,464</u>
Net assets per share (sen)	<u>28.11</u> @	<u>25.89</u> @

@ based on 170,793,000 ordinary shares of 10 sen each

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly Report on Results for the 2nd Quarter Ended 30 June 2011 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

Note	Share Capital	Non-Distributable Share Premium	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	17,079	4,522	22,615	44,216
Net profit for the period	-	-	3,796	3,796
At 30 June 2011	17,079	4,522	26,411	48,012
At 1 January 2010	17,079	4,522	19,134	40,735
Effect of adopting FRS 139	-	-	(151)	(151)
	17,079	4,522	18,983	40,584
Net profit for the period	-	-	2,334	2,334
At 30 June 2010	17,079	4,522	21,317	42,918

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.06.2011	30.06.2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,092	3,328
Adjustments for:		
Depreciation of property, plant and equipment	715	722
Amortisation of prepaid lease payment	41	15
Impairment of trade receivables - net	150	(75)
Changes in fair value of investment	(406)	50
Unrealised gain on foreign exchange currency	4	-
Loss on investment in bond fund	171	-
Gain on investment in structured fund	-	- *
Gain on investment in unit trust	(63)	(26)
Amortisation of deferred income	(120)	(120)
Interest expense	8	5
Interest income	(69)	(137)
Operating profit before working capital changes	5,523	3,762
Increase in inventories	(14)	44
Increase in receivables	(3,533)	513
Increase in payables	850	(529)
Cash generated from operations	2,826	3,790
Interest paid	(8)	(5)
Taxes paid	(1,046)	(1,017)
Net cash generated from operating activities	1,772	2,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	69	137
Purchase of leasehold land	(4,500)	-
Proceed from disposal of bond	3,432	-
Withdrawal of structured funds	-	3,012
Investment in unit trust	-	(3,000)
Purchase of property, plant and equipment	(2,908)	(373)
Increase in short-term deposit pledged	(3)	(3)
Net cash used in investing activities	(3,910)	(227)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	CURRENT YEAR TO DATE 30.06.2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITY		
Term loan received	3,300	-
Repayment of term loan	(41)	-
Repayment of hire purchase and lease financing	(40)	(51)
Net cash from/(used in) financing activities	3,219	(51)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,081	2,490
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,458	11,120
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note A15)	7,539	13,610

* RM296

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial report has been prepared in accordance with FRS 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Company and its subsidiaries ("Group") in this interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2010 except for the following new/revised Financial Reporting Standards ("FRS") and Issues Committee Interpretation ("IC Int."):

FRS 1	First-time Adoption of Financial Reporting Standards (Revised)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exception from comparative FRS Disclosures for First-time Adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 3	Business Combination (Revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in subsidiary)
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 127	Consolidated and Separate Financial Statements (Revised)
FRS 128	Investments in Associates (Revised)
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)

Improvements to FRSs (2010)

IC Int. 4	Determining whether an Arrangement contains a Lease
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to consequential amendments arising from revised FRS 3)
IC Int. 12	Service Concession Arrangements
IC Int. 14	FRS119 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement)
IC Int. 16	Hedges of a Net Investment in a Foreign Operation
IC Int. 17	Distribution of Non-cash Assets to Owners
IC Int. 18	Transfers of Assets from Customers

The adoption of the new/revised FRSs, IC Int. and its amendments does not give rise to any adjustment to the opening balances of retained profit of prior and current years or changes in comparatives except for the following:

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FRS 139 Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets reclassification of financial assets - effective date and transition, embedded derivatives and revised FRS3 and revised FRS137)

This new standards establishes principles for recognition and measuring financial assets and financial liabilities. Depending on the categorisation applied for each individual financial asset and liability, some financial assets and liabilities will need to be fair valued and others are stated at amortised cost. FRS 139 prescribes prospective application for the first time adoption. Significant accounting policies adopted are summarised below :-

Financial Assets

Financial assets recognised in the statement of financial position when and only when, the Group or Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group or the Company's contractual rights to the cash flow from the financial assets expires or if the Group or the Company transfer the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Initial Recognition

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchase) are recognised on the trade date i.e. date that the Group or Company commits to purchase or sell the assets.

The Group's financial assets include cash and bank balances, trade and other receivables and investment in structured funds. All financial assets of the Group and Company are categorised as loans and receivables except for investment in structured funds is categorised as fair value through profit or loss.

Subsequent Measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method less impairment losses. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, these financial assets are measured at fair value at balance sheet date with changes in fair value recognised as gains or losses in the income statement.

Financial Liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provision of the instrument. Financial liabilities are derecognised if the Group's obligation specified in the contract expires or are discharged or cancelled.

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Initial Recognition

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit and loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities includes trade and other payables and financial guarantees. All financial liabilities of the Group are classified as loans and borrowings.

Subsequent Measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognized as well as through amortisation process.

Transitional provisions and effects on financial statements

In accordance with the transitional provision of FRS 139, the Group is required to re-measure the financial assets and liabilities as appropriate. Any adjustment of the previous carrying amount of the financial assets and liabilities shall be recognised as an adjustment of the balance of retained earnings at the beginning of the financial year in which FRS 139 is initially applied.

The following table provides the extent to which the consolidated statement of financial position as at 31 March 2010 is policies been applied in the current period. The changes have been accounted for by higher or lower than it would have been had the previous restating the following opening balances in the statement of financial position as at 1 January 2010:

Effect on Statement of Financial Position as at 1 January 2010:

	AS AT 01.01.2010 RM'000
Decrease in Trade and Other Receivables	(164)
Increase in Investment in Structured Funds	13
Decrease in Retained Earnings	<u>(151)</u>

Impairment of financial assets

FRS 139 required the Group to assess at each statement of financial position date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2010 was not qualified.

A3 Seasonal or cyclical factors

The Group's operations were not subject to any seasonal or cyclical changes.

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A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Company during the quarter under review.

A5 Material changes in estimates

There were no changes in estimates that have a material effect in the current financial quarter.

A6 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A7 Dividend paid

There were no dividends paid during the current financial quarter.

A8 Segment information

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR TO DATE
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
<u>Revenues by activities</u>				
Recycling of waste	3,816	3,337	9,104	7,636
Chemical products	44	67	131	85
Trading of chemicals and other products	7,895	-	10,090	-
Less: Inter-company revenue	(13)	(22)	(21)	(36)
Total	<u>11,742</u>	<u>3,382</u>	<u>19,304</u>	<u>7,685</u>

There is no geographical segmental information as the Company operates principally in Malaysia.

A9 Valuation of property, plant and equipment

Property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment losses. No valuation of property, plant and equipment was undertaken during the current quarter under review.

A10 Material events subsequent to the end of the quarter

There were no material events subsequent to the current financial quarter ended 30 June 2011 up to the date of this report which is likely to substantially affect the results of the operations of the Company.

A11 Changes in the composition of the Company

There were no changes in the composition of the Company for the current financial quarter.

A12 Contingent liabilities

There were no contingent liabilities as at the date of this report.

A13 Capital commitments

As at the date of this report, the Group has a capital commitment in respect of an acquisition of a waste recovery system equipment at USD1,959,800 which is equivalent to approximately RM6,075,380.

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A14 Related party transactions

As at the end of the current period under review, the Group has entered into/or completed the following related party transactions:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING
	QUARTER	CORRESPONDING	TO DATE	YEAR TO DATE
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Transactions with Metro Engravers Sdn Bhd, a Company with a common director:				
- Rental income of recycled products	-	- #	-	- @
- Printing costs payables	- #	1	4	1
	<u>-</u>	<u>1</u>	<u>4</u>	<u>1</u>

RM80

@ RM320

All related party transactions had been entered into in the ordinary course of business based on normal commercial terms.

A15 Cash and cash equivalents

	AS AT	AS AT
	30.06.2011	30.06.2010
	RM'000	RM'000
Cash in hand and at banks	7,343	7,146
Deposits with:		
Licensed investment bank	196	6,464
Licensed bank	243	233
	<u>7,782</u>	<u>13,843</u>
Less: Non cash equivalents:		
Fixed deposits pledged	(243)	(233)
	<u>7,539</u>	<u>13,610</u>

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

B1 Review of performance

For the quarter ended 30 June 2011 (2nd Quarter), Tex Cycle and its subsidiaries ("Tex Cycle Group" or "Group") generated revenue of RM11.7 million and profit before taxation ("PBT") of RM2.4 million, representing an increase of 247% in revenue and an increase of 126% in PBT as compared to the corresponding quarter of the preceding year ended 30 June 2010. The increase in revenue and PBT for the quarter under review was mainly attributable to higher demand from Group's recycling and trading activities.

B2 Variation of results against preceding quarter

The Group's revenue of RM11.7 million for the quarter ended 30 June 2011 represents an increase of 55% as compared to that of the preceding quarter ended 31 March 2011. The increase was mainly due to higher demand from the Group's trading activities as compared to the preceding quarter ended 31 March 2011. Compared to the increase in revenue of 55%, the Group's PBT for the quarter decreased approximately 13%, from RM2.7 million to RM2.4 million as compared to that of the preceding quarter. The decrease is mainly due to the disproportionate costs in the different segment activities.

B3 Prospects

The global economy is slowing down following the influence of the natural disaster in Japan, European debt crisis and volatile commodity prices and expect to remain challenging. However, Malaysia recorded a moderate GDP growth of 4.6% for the 1st quarter of year 2011 with a strong domestic demand particularly in service and manufacturing sectors. Despite the uncertainty in the global economy, Malaysia expects its GDP growth for the year 2011 to be approximately 5.5%.

According to the Tenth Malaysia Plan (2011 - 2015), the Government will place emphasis on strategies to ensure sustainable growth and efforts to minimise pollution. With the introduction of feed-in-tariff and other incentives to support renewable energy and green technology investments as well as promoting projects eligible for carbon credits, eco-tourism, public-private CSR (Corporate, Social and Responsibility) initiatives and AFFIRM Framework (of Awareness, Faculty, Finance, Infrastructure, Research and Marketing) to develop a complete ecosystem for environmental sustainability will augur well for the Group's recycling business.

Barring any unforeseen circumstances, the Board of Directors expects the Group to perform satisfactorily in year 2011.

B4 Profit forecast and profit guarantee

Not applicable as no profit forecast was published by the Group.

B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR TO DATE
	30.06.2011 RM'000	30.06.2010 RM'000	30.06.2011 RM'000	30.06.2010 RM'000
Income tax				
Estimated tax payable for current period	632	343	1,326	996
Deferred tax				
Estimated deferred tax for current period	(1)	(99)	(30)	(2)
	<u>631</u>	<u>244</u>	<u>1,296</u>	<u>994</u>

The effective tax rate for the current year quarter is higher than the statutory tax rate due to certain non tax deductible expenses.

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B6 Sales of unquoted investments and/or properties

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

B7 Quoted securities

There were no acquisitions or disposals of quoted securities for the financial quarter under review.

B8 Status of corporate proposals

There were no corporate proposals pending completion as at the date of this report.

B9 Borrowings and debt securities

	AS AT 31.03.2011 RM'000	AS AT 31.12.2010 RM'000
Short term borrowings:		
Secured - Term loan	488	-
Unsecured - Hire purchase and finance lease payables	37	63
	<u>525</u>	<u>63</u>
Long term borrowings:		
Secured - Term loan	2,771	-
Unsecured - Hire purchase and finance lease payables	174	188
	<u>2,945</u>	<u>188</u>
	<u>3,470</u>	<u>314</u>

B10 Realised and unrealised profit and loss

	CUMULATIVE QUARTER CURRENT YEAR TO DATE 30.06.2011 RM'000	PRECEDING YEAR TO DATE 31.12.2010 RM'000
Total retained profit of the Company and it's subsidiaries:		
Realised	24,257	21,170
Unrealised	2,154	1,445
	<u>26,411</u>	<u>22,615</u>

B11 Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments as at the date of this report.

B12 Material litigations

There are no material litigations pending at the date of this report.

B13 Dividends

No dividends have been declared in respect of the financial period under review.

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B14 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2011	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2010	CURRENT YEAR TO DATE 30.06.2011	PRECEDING YEAR TO DATE 30.06.2010
Net profit for the period (RM'000)	1,742	806	3,796	2,334
Weighted average number of ordinary shares in issue ('000)	170,793	170,793	170,793	170,793
Basic earnings per share (sen)	<u>1.02</u>	<u>0.47</u>	<u>2.22</u>	<u>1.37</u>

By Order of the Board

Periasamy A/L Sinakalai
Managing Director

Selangor Darul Ehsan
Date: 11 August 2011