

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2015 RM'000	Preceding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceding Year Corresponding Period 30.09.2014 RM'000
Revenue	5,921	4,867	18,712	15,910
Cost of sales	(2,897)	(1,731)	(6,918)	(5,767)
Gross profit	3,024	3,136	11,794	10,143
Other income	(163)	617	1,480	1,559
Distribution and selling expenses	(62)	(62)	(265)	(163)
Administrative expenses	(1,467)	(1,584)	(4,900)	(4,408)
Other expenses	(340)	(300)	(1,472)	(1,072)
Finance income	5	13	20	34
Finance costs	(7)	(3)	(64)	(33)
Profit before taxation	990	1,817	6,593	6,060
Taxation	650	(436)	85	(1,642)
Profit for the year	1,640	1,381	6,678	4,418
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	1,640	1,381	6,678	4,418
Earnings per share (sen)				
(a) Basic	0.97	0.82	3.95	2.61
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(the figures have not been audited)

	AS AT 30.09.2015 RM'000	AS AT 31.12.2014 RM'000
NON-CURRENT ASSETS		
<i>Property, plant and equipment</i>	29,867	28,145
<i>Prepaid lease payment on leasehold land</i>	14,024	14,163
<i>Investment property</i>	13,000	13,000
<i>Goodwill on consolidation</i>	584	584
	57,475	55,892
CURRENT ASSETS		
<i>Investment in unit trusts</i>	3,630	3,421
<i>Inventories</i>	514	296
<i>Trade receivables</i>	8,677	6,541
<i>Other receivables</i>	1,911	1,227
<i>Tax recoverable</i>	1,944	1,223
<i>Deposits, cash and bank balances</i>	4,973	4,789
	21,649	17,497
CURRENT LIABILITIES		
<i>Borrowings</i>	447	528
<i>Trade payables</i>	437	291
<i>Other payables</i>	2,574	2,650
<i>Tax payables</i>	48	20
	3,506	3,489
NET CURRENT ASSETS	18,143	14,008
	75,618	69,900
REPRESENTED BY:		
<i>Share capital</i>	17,079	17,079
<i>Share premium</i>	4,522	4,522
<i>Treasury shares</i>	(873)	(806)
<i>Retained profits</i>	50,091	43,836
<i>Shareholders' Equity</i>	70,819	64,631
<i>Borrowings</i>	4,448	4,350
<i>Deferred tax liabilities</i>	351	919
<i>Non-current liabilities</i>	4,799	5,269
	75,618	69,900
Net assets per share (sen)	41.89	38.18

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Company's No.: 642619-P
(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(The figures have not been audited)

Note	Share Capital RM'000	Non-Distributable Share Premium RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2015	17,079	4,522	(806)	43,836	64,631
Purchase of treasury shares	-	-	(67)	-	(67)
Total comprehensive income for the period	-	-	-	6,678	6,678
Appropriation: Final dividend paid for the financial year ended 31 December 2014	-	-	-	(423)	(423)
At 30 September 2015	17,079	4,522	(873)	50,091	70,819
At 1 January 2014	17,079	4,522	(474)	41,329	62,456
Purchase of treasury shares	-	-	(211)	-	(211)
Total comprehensive income for the period	-	-	-	4,418	4,418
Appropriation: Final dividend paid for the financial year ended 31 December 2013	-	-	-	(847)	(847)
At 30 September 2014	17,079	4,522	(685)	44,900	65,816

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 30.09.2015 RM'000	Preceeding Year Corresponding Period 30.09.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,593	6,060
Adjustments for:		
Depreciation of property, plant and equipment	2,156	1,177
Amortisation of prepaid lease payment	23	132
Allowance for doubtful debts - net	3	49
Changes in fair value of investment	(133)	(69)
Gain on investment in unit trust	(76)	(164)
Gain on disposal of property, plant and equipment	(70)	-
Interest expense	64	33
Interest income	(20)	(34)
Operating profit before working capital changes	8,540	7,184
(Increase)/Decrease in inventories	(219)	(229)
(Increase)/Decrease in trade receivables	(2,190)	(1,902)
(Increase)/Decrease in other receivables	(683)	(473)
Increase/(Decrease) in trade payables	146	(1)
Increase/(Decrease) in other payables	36	434
Cash generated from operations	5,630	5,013
Interest paid	(64)	(33)
Taxes paid	(1,460)	(1,166)
Taxes refunded	51	71
Net cash generated from operating activities	4,157	3,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	20	34
Proceeds from disposal of property, plant and equipment	70	-
Proceeds from disposal of investment in unit trust	-	1,877
Purchase of property, plant and equipment	(3,762)	(7,982)
Net cash used investing activities	(3,672)	(6,071)

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(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 30.09.2015 RM'000	Preceeding Year Corresponding Period 30.09.2014 RM'000
CASH OUTFLOW FROM FINANCING ACTIVITY		
Repayment of term loan	(112)	(680)
Repayment of hire purchase and lease financing - net	301	(224)
Purchase of treasury shares	(67)	(211)
Dividend paid	(423)	(847)
Net cash used in financing activities	(301)	(1,962)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	184	(4,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,789	10,240
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note A15)	4,973	6,092

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysia Financial Reporting Standards 134 (MFRS134): "Interim Financial Reporting" and Rule 9.22 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS34, Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2014.

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 2014 except for the following new/amended MFRS:

- MRFS 10,
12 and 127 Investment Entities
- MRFS 136 Impairment of Assets (Amendments relating to Recoverable Amounts Disclosure for Non-financial Assets)
- MRFS 139 Financial Instruments: Recognition and Measurement (Amendments relating to novation of Derivatives Continuation of Hedge Accountings)

The adoption of the new/amended MFRS 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.

A2 Auditors' report of preceeding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

A3 Seasonal or cyclical factors

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

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

Save for the information disclosed in this interim report, 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

During the current quarter, the Company repurchased 63,000 unit of shares from the open market at an average price of 49sen per share and the total repurchase cost was RM30,940. The total repurchase consideration, including transaction costs were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

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

A7 Dividend paid

The first and final single tier exempt dividend of 2.5%, amounting to RM422,608 in respect of the financial year ended 31 December 2014 was paid on 20 July 2015.

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Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

A8 Segment information

	Investment holding RM'000	Recovery and recycling services RM'000	Manufactur- ing RM'000	Trading RM'000	Others* RM'000	Eliminat- ions RM'000	Total RM'000
Current Year Quarter							
30.09.15							
Revenue							
External sales	-	5,838	71	12	-	-	5,921
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	5,838	71	12	-	-	5,921
Results							
Segment results	(93)	1,710	19	(122)	218	-	1,732
Finance income	2	3	-	-	-	-	5
Finance cost	-	(7)	-	-	-	-	(7)
Depreciation and amortisation	-	(659)	(4)	(77)	-	-	(740)
Profit before taxation	(91)	1,047	15	(199)	218	-	990
Current Year To Date							
30.09.15							
Revenue							
External sales	-	18,393	124	195	-	-	18,712
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	18,393	124	195	-	-	18,712
Results							
Segment results	(241)	8,648	18	(266)	657	-	8,816
Finance income	7	12	1	-	-	-	20
Finance cost	-	(64)	-	-	-	-	(64)
Depreciation and amortisation	-	(1,937)	(12)	(230)	-	-	(2,179)
Profit before taxation	(234)	6,659	7	(496)	657	-	6,593
Preceding Year Corresponding Quarter							
30.09.14							
Revenue							
External sales	-	4,275	475	117	-	-	4,867
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	4,275	475	117	-	-	4,867
Results							
Segment results	(119)	1,999	245	(22)	198	-	2,301
Finance income	4	3	1	5	-	-	13
Finance cost	-	(2)	-	(1)	-	-	(3)
Depreciation and amortisation	-	(414)	(5)	(75)	-	-	(494)
Profit before taxation	(115)	1,586	241	(93)	198	-	1,817
Preceding Year Corresponding Period							
30.09.14							
Revenue							
External sales	-	14,751	743	416	-	-	15,910
Inter-segment sales	-	-	1	-	-	(1)	-
Total revenue	-	14,751	744	416	-	(1)	15,910
Results							
Segment results	(297)	6,901	407	(255)	612	-	7,368
Finance income	18	9	1	6	-	-	34
Finance cost	-	(32)	-	(1)	-	-	(33)
Depreciation and amortisation	-	(1,067)	(17)	(225)	-	-	(1,309)
Profit before taxation	(279)	5,811	391	(475)	612	-	6,060

* This segment represents renting of investment property

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

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Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

A9 Valuation of property, plant and equipment

Property, plant and equipment of the Group are stated at cost less accumulated depreciation. 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

Save for the disclosure in Note A6, there were no material events subsequent to the current financial period up to the date of this report that would affect the financial results for the current financial period under review.

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 or contingent assets as at the date of this report.

A13 Capital commitments

	AS AT 30.09.2015 RM'000	AS AT 30.09.2014 RM'000
Approved and contracted for:		
Acquisition of property, plant and equipment	330	544

A14 Related party transactions

As at the end of the current quarter under review, the Group has not entered into any related party transactions.

A15 Cash and cash equivalents

	As at 30.09.2015 RM'000	As at 30.09.2014 RM'000
Cash in hand and at banks	4,753	5,684
Deposits with licensed investment bank	220	408
	<u>4,973</u>	<u>6,092</u>

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Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

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

B1 Review of performance

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2015 RM'000	Preceeding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceeding Year Corresponding Period 30.09.2014 RM'000
Revenue	5,921	4,867	18,712	15,910
Profit before taxation	990	1,817	6,593	6,060

For the quarter ended 30 September 2015, Tex Cycle and its subsidiaries ("Group") generated total revenue of RM5.9million, an increase of RM1.1million or 22% compared to the corresponding quarter of the preceeding year ended 30 September 2014. The increase in revenue was mainly derived from the Group's recycling and recovery division in the current quarter. The Group made a profit before taxation of RM1.0million for the current quarter, a decrease of RM0.8million, or 46% compared to the corresponding quarter of the preceeding year ended 30 September 2014 due to higher overhead costs incurred.

Recycling and recovery division

For the quarter ended 30 September 2015, the revenue of the recycling business significantly increased by RM1.6million or 37% as compared to that of the corresponding quarter preceeding year. The increase is mainly due to positive contribution from the new plant ("P2").

Manufacturing division

For the current quarter, the revenue of the manufacturing division decreased by RM404,000, or 85% as compared to the corresponding quarter preceeding year. The decrease is mainly due to lower demand from the industry.

Trading division

For the current quarter, the revenue of the trading division decreased by RM105,000, or 89% as compared to the corresponding quarter preceeding year. The decrease is mainly due to lower demand from the industry resulting from the downturn in oil price.

B2 Material Changes in Quarterly Results compared to the Results of the preceeding quarter

	Current Year Quarter 30.09.2015 RM'000	Current Year Previous Quarter 30.06.2015 RM'000
Revenue	5,921	7,765
Profit/(Loss) before taxation	990	3,799

The Group's revenue for the current quarter was RM5.9million as compared to the revenue for the preceeding quarter of RM7.8million, representing a decrease of RM1.8million, or 24%. The decrease in revenue was mainly due to lower demand from the Group's recycling and recovery division in the current quarter. Accordingly, the Group made a profit before taxation of RM1.0million for the current quarter, a decrease of RM2.8million, or 74% compared to the preceeding quarter ended 30 June 2015.

TEX CYCLE TECHNOLOGY (M) BERHAD

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Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

B3 Prospects

On 28 February 2014, the Group obtained the business license for the operations of the new plant ("P2"). Subsequently, P2 was granted pioneer status from the Malaysian Investment Development Authority ("MIDA"), with 5 years of 70% tax exemption on tax payable. With the commencement of operations and tax incentive obtained, the Board of Directors expects the Group to perform better for the year as P2 continues to contribute positively towards the performance of the Group.

B4 Profit forecast and profit guarantee

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

B5 Taxation

The taxation is calculated based on the profit for the financial period ended 30 September 2015 comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2015 RM'000	Preceeding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceeding Year Corresponding Period 30.09.2014 RM'000
Income tax				
Estimated tax payable for current period	56	299	515	1,299
Under/(Over) provision in prior year	(35)	-	-	-
Deferred tax				
Estimated deferred tax for current period	(671)	137	(600)	343
	<u>(650)</u>	<u>436</u>	<u>(85)</u>	<u>1,642</u>

The effective tax rate is lower than the statutory tax rate due to the 70% tax exemption on tax payable granted to P2.

B6 Status of corporate proposals

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

B7 Borrowings and debt securities

	As at 30.09.2015 RM'000	As at 30.09.2014 RM'000
<i>Short term borrowings:</i>		
Secured-Term Loan	108	940
Unsecured - Hire purchase and finance lease payables	339	75
	<u>447</u>	<u>1,015</u>
<i>Long term borrowings:</i>		
Secured-Term Loan	4,125	5,598
Unsecured - Hire purchase and finance lease payables	323	72
	<u>4,448</u>	<u>5,670</u>
	<u>4,895</u>	<u>6,685</u>

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(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

B8 Material litigation

- (a) TC Chemical Sdn. Bhd. ("TC Chemical"), a wholly-owned subsidiary company of the Company had on 20 March 2014 filed a writ of summons in the High Court Of Malaya, Kuala Lumpur against Petrozchem Sdn. Bhd. (PSB) and Petrozchem Oilfield Services Sdn. Bhd. ("POSSB").

TC Chemical sought to claim the outstanding amount as at 27 March 2014 of RM1,220,912 for the supply of "Synthetic Based Mud" to PSB with interest and other damages. PSB had by the Deed of Assignment dated 12 December 2012 transferred the entire business including all assets and liabilities to POSSB.

POSSB subsequently filed a counter-claim in High Court of Malaya, Kuala Lumpur against TC Chemical for the refund of the amount of RM1,500,000, the partial payment paid to TC Chemical for the supply of "Synthetic Based Mud" including interest and other relevant damages and charges ("the said Counter-Claim").

A full trial was held from 25 August 2014 to 27 August 2014 and the Court had fixed the matter for decision on 19 December 2014. On that date, the Court had dismissed the Company's claim against PSB and POSSB as well as allowed the counter claim by POSSB for RM1.5million. The Kuala Lumpur High Court had declared that the Company is not a valid creditor of PSB.

On 13 March 2015, the Kuala Lumpur High Court dismissed the remaining claims in the counterclaim against TC Chemical made by POSSB. It also awarded costs of RM125,000 against TC Chemical in respect of the judgment made on 19 December 2014 in favour of POSSB.

On 14 May 2015, TC Chemical was granted a Stay of Execution of the judgment pending the Company's appeal to the Court of Appeal on condition that the judgment sum be paid to an interest bearing account with a legal stakeholder which the Company has complied with.

The legal team of the Company is working on the appeal and is awaiting for a date from the Court of Appeal.

B9 Dividends

- (a) (i) Interim dividend of 5% per share amounting to RM844,901.50 for the financial year ending 31 December 2015 has been declared by the Board of Directors;
- (ii) Amount per share - Interim dividend; single tier exempt dividend of 5% per share;
- (iii) Previous corresponding period - single tier exempt dividend of nil sen (0%);
- (iv) Date payable - 21 December 2015;
- (v) In respect of deposited securities, entitlement to dividends - 1 December 2015.

B10 Realised and unrealised profit and loss

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
Total retained profit of the Company and it's subsidiaries:		
Realised	42,434	36,780
Unrealised	7,657	7,056
	<u>50,091</u>	<u>43,836</u>

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2015

NOTES

B11 Profit before tax

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2015 RM'000	Preceeding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceeding Year Corresponding Period 30.09.2014 RM'000
Profit before tax is arrived at after the following charges/(credits):				
Depreciation of property, plant and equipment	811	450	2,156	1,177
Amortisation of prepaid lease payment	8	44	23	132
Allowance for doubtful debts - net	64	112	3	49
Gain on investment in unit trust	(76)	(25)	(76)	(164)
Gain on disposal of property, plant and equipment - net of tax	15	-	70	-
Decrease/(Increase) in fair value of unit trust	423	(14)	(133)	(69)
Interest income from deposits placed with licensed banks	(5)	(13)	(20)	(34)
Interest expenses on borrowings	7	3	64	(33)

B12 Earnings per share

(a) Basic Earnings Per Ordinary Share

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2015 RM'000	Preceeding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceeding Year Corresponding Period 30.09.2014 RM'000
Net profit for the period (RM'000)	1,640	1,381	6,678	4,418
Weighted average number of ordinary shares in issue ('000)	169,016	169,434	169,048	169,587
Basic earnings per share (sen)	0.97	0.82	3.95	2.61

(b) Diluted Earnings Per Ordinary Share

Not applicable to the Company

By Order of the Board

Periasamy A/L Sinakalai

Managing Director

Selangor Darul Ehsan

Date: 17 November 2015