

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 1st Quarter Ended 31 March 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2016 RM'000	Preceding Year Corresponding Quarter 31.03.2015 RM'000	Current Year To Date 31.03.2016 RM'000	Preceding Year Corresponding Period 31.03.2015 RM'000
Revenue	6,811	5,269	6,811	5,269
Cost of sales	(2,532)	(1,494)	(2,532)	(1,494)
Gross profit	4,279	3,775	4,279	3,775
Other income	71	226	71	226
Distribution and selling expenses	(101)	(85)	(101)	(85)
Administrative expenses	(1,387)	(1,780)	(1,387)	(1,780)
Other expenses	(773)	(303)	(773)	(303)
Finance income	5	8	5	8
Finance costs	(24)	(1)	(24)	(1)
Profit before taxation	2,070	1,840	2,070	1,840
Taxation	(254)	(455)	(254)	(455)
Profit for the year	1,816	1,385	1,816	1,385
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	1,816	1,385	1,816	1,385
Earnings per share (sen)				
(a) Basic	1.07	0.82	1.07	0.82
(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 2015 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 1st Quarter Ended 31 March 2016 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(the figures have not been audited)

	AS AT 31.03.2016 RM'000	AS AT 31.12.2015 RM'000
NON-CURRENT ASSETS		
<i>Property, plant and equipment</i>	29,302	28,922
<i>Prepaid lease payment on leasehold land</i>	13,932	13,978
<i>Investment property</i>	13,000	13,000
<i>Goodwill on consolidation</i>	584	584
	<u>56,818</u>	<u>56,484</u>
CURRENT ASSETS		
<i>Investment in unit trusts</i>	3,655	3,714
<i>Inventories</i>	234	272
<i>Trade receivables</i>	9,510	7,881
<i>Other receivables</i>	2,288	3,468
<i>Tax recoverable</i>	1,449	1,873
<i>Deposits, cash and bank balances</i>	8,220	7,146
	<u>25,356</u>	<u>24,354</u>
CURRENT LIABILITIES		
<i>Borrowings</i>	617	648
<i>Trade payables</i>	349	376
<i>Other payables</i>	3,908	4,196
	<u>4,874</u>	<u>5,220</u>
NET CURRENT ASSETS	<u>20,482</u>	<u>19,134</u>
	<u>77,300</u>	<u>75,618</u>
REPRESENTED BY:		
<i>Share capital</i>	17,079	17,079
<i>Share premium</i>	4,522	4,522
<i>Treasury shares</i>	(895)	(895)
<i>Retained profits</i>	51,758	49,942
<i>Shareholders' Equity</i>	<u>72,464</u>	<u>70,648</u>
<i>Borrowings</i>	3,982	4,116
<i>Deferred tax liabilities</i>	854	854
<i>Non-current liabilities</i>	<u>4,836</u>	<u>4,970</u>
	<u>77,300</u>	<u>75,618</u>
Net assets per share (sen)	<u>42.89</u>	<u>41.80</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly Report on Results for the 1st Quarter Ended 31 March 2016 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 2016	17,079	4,522	(895)	49,942	70,648
Total comprehensive income for the period	-	-	-	1,816	1,816
At 31 March 2016	17,079	4,522	(895)	51,758	72,464
At 1 January 2015	17,079	4,522	(806)	43,836	64,631
Purchase of treasury shares	-	-	(22)	-	(22)
Total comprehensive income for the period	-	-	-	1,385	1,385
At 31 March 2015	17,079	4,522	(828)	45,221	65,994

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly Report on Results for the 1st Quarter Ended 31 March 2016 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 31.03.2016 RM'000	Preceding Year Corresponding Period 31.03.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,070	1,840
Adjustments for:		
Depreciation of property, plant and equipment	766	634
Amortisation of prepaid lease payment	46	13
Allowance for doubtful debts - net	138	(64)
Changes in fair value of investment	59	-
Inventory written off	26	39
Gain on investment in unit trust	(76)	-
Interest expense	24	1
Interest income	(5)	(8)
Operating profit before working capital changes	3,048	2,455
(Increase)/Decrease in inventories	23	(67)
(Increase)/Decrease in trade receivables	(1,721)	(975)
(Increase)/Decrease in other receivables	1,158	213
Increase/(Decrease) in trade payables	(28)	(183)
Increase/(Decrease) in other payables	(1,100)	120
Cash generated from operations	1,380	1,563
Interest paid	(4)	(1)
Taxes paid	(496)	(247)
Taxes refunded	665	51
Net cash generated from operating activities	1,545	1,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5	8
Purchase of property, plant and equipment	(311)	(2,044)
Net cash used investing activities	(306)	(2,036)

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Quarterly Report on Results for the 1st Quarter Ended 31 March 2016 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 31.03.2016 RM'000	Preceding Year Corresponding Period 31.03.2015 RM'000
CASH OUTFLOW FROM FINANCING ACTIVITY		
Repayment of term loan	(113)	(113)
Repayment of hire purchase and lease financing - net	(52)	(21)
Purchase of treasury shares	-	(22)
Net cash used in financing activities	(165)	(156)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,074	(826)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,146	5,049
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note A15)	8,220	4,223

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 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 2015. 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 2015.

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 2015 except for the following new/amended MFRS:

MRFS 16	Leases
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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 2015 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

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 financial period.

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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							
31.03.16							
Revenue							
External sales	-	6,237	221	109	244	-	6,811
Inter-segment sales	-	3	-	-	-	(3)	-
Total revenue	-	6,240	221	109	244	(3)	6,811
Results							
Segment results	(87)	2,661	143	(20)	205	-	2,902
Finance income	2	3	-	-	-	-	5
Finance cost	-	(24)	-	-	-	-	(24)
Depreciation and amortisation	-	(689)	(4)	(120)	-	-	(813)
Profit before taxation	(85)	1,951	139	(140)	205	-	2,070
Current Year To Date							
31.03.16							
Revenue							
External sales	-	6,237	221	109	244	-	6,811
Inter-segment sales	-	3	-	-	-	(3)	-
Total revenue	-	6,240	221	109	244	(3)	6,811
Results							
Segment results	(87)	2,661	143	(20)	205	-	2,902
Finance income	2	3	-	-	-	-	5
Finance cost	-	(24)	-	-	-	-	(24)
Depreciation and amortisation	-	(689)	(4)	(120)	-	-	(813)
Profit before taxation	(85)	1,951	139	(140)	205	-	2,070
Preceding Year Corresponding Quarter							
31.03.15							
Revenue							
External sales	-	4,869	29	127	244	-	5,269
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	4,869	29	127	244	-	5,269
Results							
Segment results	(55)	2,412	6	(116)	217	-	2,464
Finance income	3	5	1	-	-	-	9
Finance cost	-	1	-	-	-	-	1
Depreciation and amortisation	-	(591)	(5)	(38)	-	-	(634)
Profit before taxation	(52)	1,827	2	(154)	217	-	1,840
Preceding Year Corresponding Period							
31.03.15							
Revenue							
External sales	-	4,869	29	127	244	-	5,269
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	4,869	29	127	244	-	5,269
Results							
Segment results	(55)	2,412	6	(116)	217	-	2,464
Finance income	3	5	1	-	-	-	9
Finance cost	-	1	-	-	-	-	1
Depreciation and amortisation	-	(591)	(5)	(38)	-	-	(634)
Profit before taxation	(52)	1,827	2	(154)	217	-	1,840

* This segment represents renting of investment property

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

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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

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 31.03.2016 RM'000	AS AT 31.03.2015 RM'000
Approved and contracted for:		
Acquisition of property, plant and equipment	226	219

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 31.03.2016 RM'000	As at 31.03.2015 RM'000
Cash in hand and at banks	7,996	3,809
Deposits with licensed investment bank	224	414
	8,220	4,223

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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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2016 RM'000	Preceeding Year Corresponding Quarter 31.03.2015 RM'000	Current Year To Date 31.03.2016 RM'000	Preceeding Year Corresponding Period 31.03.2015 RM'000
Revenue	6,811	5,269	6,811	5,269
Profit before taxation	2,070	1,840	2,070	1,840

For the quarter ended 31 March 2016, Tex Cycle and its subsidiaries ("Group") generated total revenue of RM6.8million, an increase of RM1.5million or 29% compared to the corresponding quarter of the preceeding year ended 31 March 2015. The increase in revenue was mainly derived from the Group's recycling and recovery division in the current quarter. Accordingly, the Group made a profit before taxation of RM2.1million for the current quarter, an increase of RM0.2million, or 13% compared to the corresponding quarter of the preceeding year ended 31 March 2015.

Recycling and recovery division

For the quarter ended 31 March 2016, the revenue of the recycling business significantly increased by RM1.4million or 28% 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 increased by RM192,000 as compared to the corresponding quarter preceeding year. The increase is mainly due to higher demand from the defence industry.

Trading division

For the current quarter, the revenue of the trading division decreased by RM18,000, or 14% 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 prices.

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

	Current Year Quarter 31.03.2016 RM'000	Previous Quarter 31.12.2015 RM'000
Revenue	6,811	6,695
Profit/(Loss) before taxation	2,070	1,426

The Group's revenue for the current quarter was RM6.8million as compared to the revenue for the preceeding quarter of RM6.7million, representing an increase of RM0.1million, or 2%. The Group made a profit before taxation of RM2.1million for the current quarter, an increase of RM0.6million, or 45% compared to the preceeding quarter ended 31 December 2015.

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B3 Prospects

Tex Cycle (P2) plant, a wholly-owned subsidiary of Tex Cycle Technology (M) Berhad, had fully operationalised its production in 2015. The plant which is situated on eight and a half acres of industrial land with a built-up area of 160,800 sq.ft., located in Telok Gong, Selangor, is equipped with state of the art equipment. The plant is licensed by the Department of Environment to transport, recycle and recover thirty-one types of scheduled waste.

Tex Cycle's business is expected to improve given the emphasis on heightened awareness towards environmental protection in line with Budget 2016. The use of green technology will also ensure sustainability of the nation's natural resources.

With the current strategy of tapping into new industries and securing long term contracts, it is reasonable to expect a steady growth of business in the coming years with the Company continuing to develop more advanced technologies and methodologies to benefit its stakeholders. Looking ahead, Tex Cycle's 2016 recycling business is anticipated to be promising.

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 31 March 2016 comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2016 RM'000	Preceding Year Corresponding Quarter 31.03.2015 RM'000	Current Year To Date 31.03.2016 RM'000	Preceding Year Corresponding Period 31.03.2015 RM'000
Income tax				
Estimated tax payable for current period	254	279	254	279
Deferred tax				
Estimated deferred tax for current period	-	176	-	176
	<u>254</u>	<u>455</u>	<u>254</u>	<u>455</u>

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

B6 Status of corporate proposals

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

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B7 Borrowings and debt securities

	As at 31.03.2016 RM'000	As at 31.03.2015 RM'000
<i>Short term borrowings:</i>		
Secured-Term Loan	452	113
Unsecured - Hire purchase and finance lease payables	165	20
	617	133
<i>Long term borrowings:</i>		
Secured-Term Loan	3,820	4,523
Unsecured - Hire purchase and finance lease payables	162	90
	3,982	4,613
	<u>4,599</u>	<u>4,746</u>

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 Court of Appeal has subsequently fixed a hearing on 1 March 2016.

The Court of Appeal had a case management on 21 April 2016 and is currently pending further direction from the Court.

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B9 Dividends

- (a) (i) Interim single tier exempt dividend of 5% per share amounting to RM844,801.50 for the financial year ending 31 December 2016 has been declared by the Board of Directors;
- (ii) In respect of deposited securities, entitlement to dividends - 3 June 2016;
- (iii) Date payable - 25 June 2016.

B10 Realised and unrealised profit and loss

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Total retained profit of the Company and it's subsidiaries:		
Realised	44,783	42,822
Unrealised	6,975	7,034
	<u>51,758</u>	<u>49,942</u>

B11 Profit before tax

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2016 RM'000	Preceeding Year Corresponding Quarter 31.03.2015 RM'000	Current Year To Date 31.03.2016 RM'000	Preceeding Year Corresponding Period 31.03.2015 RM'000
Profit before tax is arrived at after the following charges/(credits):				
Depreciation of property, plant and equipment	766	634	766	634
Amortisation of prepaid lease payment	46	13	46	13
Allowance for doubtful debts - net	138	(64)	138	(64)
Inventory written off	26	39	26	39
Gain on investment in unit trust	(76)	-	(76)	-
Decrease/(Increase) in fair value of unit trust	59	-	59	-
Interest income from deposits placed with licensed banks	(5)	(8)	(5)	(8)
Interest expenses on term loans	20	-	20	-
Interest expenses on hire-purchase	4	1	4	1
	<u>4</u>	<u>1</u>	<u>4</u>	<u>1</u>

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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 31.03.2016 RM'000	Preceeding Year Corresponding Quarter 31.03.2015 RM'000	Current Year To Date 31.03.2016 RM'000	Preceeding Year Corresponding Period 31.03.2015 RM'000
Net profit for the period (RM'000)	1,816	1,385	1,816	1,385
Weighted average number of ordinary shares in issue ('000)	168,960	169,089	168,960	169,089
Basic earnings per share (sen)	1.07	0.82	1.07	0.82

(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: 19 May 2016