

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceding Year Corresponding Period 30.09.2015 RM'000
Revenue	8,133	5,921	22,673	18,712
Cost of sales	(2,993)	(2,897)	(8,417)	(6,918)
Gross profit	5,140	3,024	14,256	11,794
Other income	257	(163)	394	1,480
Distribution and selling expenses	(175)	(62)	(429)	(265)
Administrative expenses	(1,336)	(1,467)	(4,216)	(4,900)
Other expenses	(1,308)	(340)	(3,017)	(1,472)
Finance income	18	5	32	20
Finance costs	26	(7)	(31)	(64)
Profit before taxation	2,622	990	6,989	6,593
Taxation	(254)	650	(708)	85
Profit for the year	2,368	1,640	6,281	6,678
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	2,368	1,640	6,281	6,678
Earnings per share (sen)				
(a) Basic	1.40	0.97	3.72	3.95
(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

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Quarterly Report on Results for the 3rd Quarter Ended 30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(the figures have not been audited)

	AS AT 30.09.2016 RM'000	AS AT 31.12.2015 RM'000
NON-CURRENT ASSETS		
<i>Property, plant and equipment</i>	29,186	28,922
<i>Prepaid lease payment on leasehold land</i>	13,839	13,978
<i>Investment property</i>	13,000	13,000
<i>Goodwill on consolidation</i>	584	584
	56,609	56,484
CURRENT ASSETS		
<i>Investment in unit trusts</i>	6,905	3,714
<i>Inventories</i>	209	272
<i>Trade receivables</i>	10,103	7,881
<i>Other receivables</i>	2,290	3,468
<i>Tax recoverable</i>	2,343	1,873
<i>Deposits, cash and bank balances</i>	7,171	7,146
	29,021	24,354
CURRENT LIABILITIES		
<i>Borrowings</i>	617	648
<i>Trade payables</i>	361	376
<i>Other payables</i>	4,135	4,196
	5,113	5,220
NET CURRENT ASSETS	23,908	19,134
	80,517	75,618
REPRESENTED BY:		
<i>Share capital</i>	17,079	17,079
<i>Share premium</i>	4,522	4,522
<i>Treasury shares</i>	(1,006)	(895)
<i>Retained profits</i>	55,378	49,942
<i>Shareholders' Equity</i>	75,973	70,648
<i>Borrowings</i>	3,657	4,116
<i>Deferred tax liabilities</i>	887	854
<i>Non-current liabilities</i>	4,544	4,970
	80,517	75,618
Net assets per share (sen)	44.99	41.80

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 3rd Quarter Ended 30 September 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
Purchase of treasury shares	-	-	(111)	-	(111)
Total comprehensive income for the period	-	-	-	6,281	6,281
Appropriation: Interim dividend paid for the financial year ending 31 December 2016	-	-	-	(845)	(845)
At 30 September 2016	17,079	4,522	(1,006)	55,378	75,973
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 payable for the financial year ended 31 December 2014	-	-	-	(423)	(423)
At 30 September 2015	17,079	4,522	(873)	50,091	70,819

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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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 30.09.2016 RM'000	Preceeding Year Corresponding Period 30.09.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,989	6,593
Adjustments for:		
Depreciation of property, plant and equipment	2,424	2,156
Amortisation of prepaid lease payment	140	23
Allowance for doubtful debts - net	822	3
Changes in fair value of investment	(111)	(133)
Inventory written off	26	-
Gain on investment in unit trust	(79)	(76)
Gain on disposal of property, plant and equipment	-	(70)
Interest expense	31	64
Interest income	(32)	(20)
Operating profit before working capital changes	10,210	8,540
(Increase)/Decrease in inventories	63	(219)
(Increase)/Decrease in trade receivables	(2,222)	(2,190)
(Increase)/Decrease in other receivables	595	(683)
Increase/(Decrease) in trade payables	(16)	146
Increase/(Decrease) in other payables	422	36
Cash generated from operations	9,052	5,630
Interest paid	(31)	(64)
Taxes paid	(1,561)	(1,460)
Taxes refunded	665	51
Net cash generated from operating activities	8,125	4,157
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	32	20
Proceeds from disposal of property, plant and equipment	-	70
Investment in unit trust	(3,021)	-
Insurance claims received	13	-
Purchase of property, plant and equipment	(3,867)	(3,762)
Net cash used investing activities	(6,843)	(3,672)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 30.09.2016 RM'000	Preceeding Year Corresponding Period 30.09.2015 RM'000
CASH OUTFLOW FROM FINANCING ACTIVITY		
Repayment of term loan	(226)	(112)
Repayment of hire purchase and lease financing - net	(75)	301
Purchase of treasury shares	(111)	(67)
Dividend paid	(845)	(423)
Net cash used in financing activities	(1,257)	(301)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25	184
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,146	5,049
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note A15)	7,171	5,233

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

During the current quarter, the Company repurchased 85,000 unit of shares from the open market at an average price of RM1.19 per share and the total repurchase cost was RM101,450. 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

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	Manufacturing RM'000	Trading RM'000	Others* RM'000	Eliminations RM'000	Total RM'000
Current Year Quarter							
30.09.16							
Revenue							
External sales	-	7,724	87	65	257	-	8,133
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	-	7,724	87	65	257	-	8,133
Results							
Segment results	(77)	3,241	38	59	229	-	3,490
Finance income	2	16	-	-	-	-	18
Finance cost	-	26	-	-	-	-	26
Depreciation and amortisation	-	(790)	(3)	(119)	-	-	(912)
Profit before taxation	(75)	2,493	35	(60)	229	-	2,622
Current Year To Date							
30.09.16							
Revenue							
External sales	-	21,278	324	318	753	-	22,673
Inter-segment sales	-	-	4	-	-	(4)	-
Total revenue	-	21,278	328	318	753	(4)	22,673
Results							
Segment results	(286)	8,912	151	244	645	(114)	9,552
Finance income	6	26	-	-	-	-	32
Finance cost	-	(31)	-	-	-	-	(31)
Depreciation and amortisation	-	(2,194)	(11)	(359)	-	-	(2,564)
Profit before taxation	(280)	6,713	140	(115)	645	(114)	6,989
Preceding Year Corresponding 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
Preceding Year Corresponding Period							
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

* 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 30.09.2016 RM'000	AS AT 30.09.2015 RM'000
Approved and contracted for:		
Acquisition of property, plant and equipment	259	330

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 30.09.2016 RM'000	As at 30.09.2015 RM'000
Cash in hand and at banks	5,328	5,013
Deposits with licensed investment bank	1,843	220
	<u>7,171</u>	<u>5,233</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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2016 RM'000	Preceeding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceeding Year Corresponding Period 30.09.2015 RM'000
Revenue	8,133	5,921	22,673	18,712
Profit before taxation	2,622	990	6,989	6,593

For the quarter ended 30 September 2016, Tex Cycle and its subsidiaries ("Group") generated total revenue of RM8.1million, an increase of RM2.2million or 37% compared to the corresponding quarter of the preceeding year ended 30 September 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 RM2.6million for the current quarter, an increase of RM1.6million compared to the corresponding quarter of the preceeding year ended 30 September 2015 as a result of higher overhead costs incurred in the corresponding quarter of the preceeding year.

Recycling and recovery division

For the quarter ended 30 September 2016, the revenue of the recycling business increased by RM1.9million or 32% as compared to that of the corresponding quarter preceeding year. The increase is mainly due to higher sales volume from new customers.

Manufacturing division

For the current quarter, the revenue of the manufacturing division increased by RM16,000 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 increased by RM53,000 as compared to the corresponding quarter preceeding year. The increase is mainly due to higher demand from the industry.

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

	Current Year Quarter 30.09.2016 RM'000	Previous Quarter 30.06.2016 RM'000
Revenue	8,133	7,703
Profit/(Loss) before taxation	2,622	2,306

The Group's revenue for the current quarter was RM8.1million as compared to the revenue for the preceeding quarter of RM7.7million, representing an increase of RM0.4million, or 6%. The Group made a profit before taxation of RM2.6million for the current quarter, an increase of RM0.3million, or 14% compared to the preceeding quarter ended 30 June 2016. The increase is mainly due to higher sales volume from new customers from the recycling industry as compared to the previous quarter.

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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.

On 2 August 2016, Tex Cycle (P2) Sdn Bhd had obtained approval from Sustainable Energy Development Authority Malaysia (SEDA) to build and operate a renewable electrical energy power plant with a capacity to supply 2 MW per hour of electricity to Tenaga Nasional Berhad. The approval granted is for a period of 16 years, commencing no later than 28th January 2018.

The expected date of signing of the power purchase agreement ("PPA") with Tenaga Nasional Berhad is January 2017 at a fixed tariff rate of RM0.4766 per kWh for sixteen (16) years. The electrical energy power plant ("EEPP") will be located at Tex Cycle (P2) plant. The EEPP will have an installed capacity of 2.5 MW per hour. Construction of the EEPP is targeted to commence in January 2017 and is expected to be completed in October 2017.

With the implementation of the power plant project, it is expected to contribute positively to the Group's results from 2018.

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 2016 comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2016 RM'000	Preceeding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceeding Year Corresponding Period 30.09.2015 RM'000
Income tax				
Estimated tax payable for current period	313	56	673	515
Under/(Over) provision in prior year	2	(35)	2	-
Deferred tax				
Estimated deferred tax for current period	(61)	(671)	33	(600)
	<u>254</u>	<u>(650)</u>	<u>708</u>	<u>(85)</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 30.09.2016 RM'000	As at 30.09.2015 RM'000
<i>Short term borrowings:</i>		
Secured-Term Loan	452	108
Unsecured - Hire purchase and finance lease payables	165	339
	617	447
<i>Long term borrowings:</i>		
Secured-Term Loan	3,594	4,125
Unsecured - Hire purchase and finance lease payables	63	323
	3,657	4,448
	<u>4,274</u>	<u>4,895</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").

On 19 December 2014, 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 had subsequently fixed a hearing on 1 March 2016.

The Court of Appeal held case management on 21 April 2016 and 8 August 2016 and subsequently hearing was fixed for 3 November 2016 which was recently postponed to 15 December 2016.

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B9 Dividends

No dividend has been recommended for the current financial period ended 30 September 2016.

B10 Realised and unrealised profit and loss

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Total retained profit of the Company and it's subsidiaries:		
Realised	48,567	42,822
Unrealised	6,811	7,034
	55,378	49,942

B11 Profit before tax

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceding Year Corresponding Period 30.09.2015 RM'000
Profit before tax is arrived at after the following charges/(credits):				
Depreciation of property, plant and equipment	865	811	2,424	2,156
Amortisation of prepaid lease payment	47	8	140	23
Allowance for doubtful debts - net	649	3	822	3
Inventory written off	-	-	26	-
Gain on investment in unit trust	(26)	(76)	(79)	(76)
Gain on disposal of property, plant and equipment - net of tax	-	15	-	70
Decrease/(Increase) in fair value of unit trust	(114)	423	(111)	(133)
Interest income from deposits placed with licensed banks	(18)	(5)	(32)	(20)
Interest expenses on term loans	-	-	20	54
Interest expenses on hire-purchase	(26)	7	11	10

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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 30.09.2016 RM'000	Preceeding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceeding Year Corresponding Period 30.09.2015 RM'000
Net profit for the period (RM'000)	2,368	1,640	6,281	6,678
Weighted average number of ordinary shares in issue ('000)	168,947	169,016	168,952	169,048
Basic earnings per share (sen)	1.40	0.97	3.72	3.95

(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 2016