

TEX CYCLE TECHNOLOGY (M) BERHAD

Company's No.: 642619-P

(Incorporated in Malaysia)

Quarterly Report on Results for the 3rd Quarter Ended 30 September 2019 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2019 RM'000	preceding Year Corresponding Quarter 30.09.2018 RM'000	Current Year To Date 30.09.2019 RM'000	preceding Year Corresponding Period 30.09.2018 RM'000
Revenue	7,449	9,194	23,489	29,309
Cost of sales	(3,048)	(3,972)	(9,361)	(12,064)
Gross profit	4,401	5,222	14,128	17,245
Other income	889	866	3,010	842
Distribution and selling expenses	(109)	(243)	(992)	(990)
Administrative expenses	(2,917)	(2,872)	(9,315)	(8,386) *
Other expenses	-	-	(31)	(604)
Finance income	3	-	16	2
Finance costs	(2)	(3)	(7)	(9)
Profit before taxation	2,265	2,970	6,809	8,100
Taxation	(249)	(567)	(1,362)	(905)
Profit for the year	2,016	2,403	5,447	7,195
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	2,016	2,403	5,447	7,195
Earnings per share (sen)				
(a) Basic	0.79	0.95	2.14	2.83
(b) Fully diluted	N/A	N/A	N/A	N/A

* preceding year's period adjusted to reflect changes in recognition of the Employees' Share Scheme ("ESS") expenses

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(the figures have not been audited)

	AS AT 30.09.2019 RM'000	AS AT 31.12.2018 RM'000
NON-CURRENT ASSETS		
<i>Property, plant and equipment</i>	64,568	65,075
<i>Investment property</i>	16,110	16,110
<i>Goodwill on consolidation</i>	584	584
<i>Investment in a joint venture</i>	1,574	-
	82,836	81,769
CURRENT ASSETS		
<i>Investment in unit trusts</i>	24,315	20,803
<i>Inventories</i>	99	119
<i>Trade receivables</i>	7,381	9,174
<i>Other receivables</i>	2,694	956
<i>Amount owing by a joint venture</i>	394	-
<i>Tax recoverable</i>	174	1,545
<i>Deposits, cash and bank balances</i>	5,984	5,504
	41,041	38,101
CURRENT LIABILITIES		
<i>Borrowings</i>	1,609	1,609
<i>Trade payables</i>	262	118
<i>Other payables</i>	3,466	2,800
	5,337	4,527
NET CURRENT ASSETS	35,704	33,574
	118,540	115,343
REPRESENTED BY:		
<i>Share capital</i>	26,387	26,257
<i>Treasury shares</i>	(1,037)	(1,467)
<i>Retained profits</i>	80,727	76,808
<i>Shareholders' Equity</i>	106,077	101,598
<i>Borrowings</i>	9,632	10,914
<i>Deferred tax liabilities</i>	2,831	2,831
<i>Non-current liabilities</i>	12,463	13,745
	118,540	115,343
Net assets per share (sen)	41.71	39.93

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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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 2019	26,257	-	(1,469)	76,810	101,598
Issuance of Employees' Share Scheme ("ESS")	130	-	1,000	-	1,130
Purchase of treasury shares	-	-	(568)	-	(568)
Total comprehensive income for the period	-	-	-	5,447	5,447
Appropriation:					
Interim dividends paid for the financial year ending 31 December 2019	-	-	-	(1,530)	(1,530)
At 30 September 2019	26,387	-	(1,037)	80,727	106,077
At 1 January 2018	25,619	-	(1,030)	71,245	95,834
Issuance of Employees' Share Scheme ("ESS")	638	-	515	-	1,153
Purchase of treasury shares	-	-	(431)	-	(431)
Total comprehensive income for the quarter	-	-	-	7,195	7,195
Appropriation:					
Interim dividend paid for the financial year ended 31 December 2018	-	-	-	(1,534)	(1,534)
At 30 September 2018	26,257	-	(946)	76,906	102,217

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 30.09.2019 RM'000	preceding Year Corresponding Period 30.09.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,809	8,100
Adjustments for:		
Depreciation of property, plant and equipments	2,578	2,576
Allowance for expected credit losses - net	152	283
Changes in fair value of investment	(645)	341
Changes in fair value of investment property	-	(238)
Inventory written off	20	-
Bad debts written back - net	(773)	(35)
Gain on investment in unit trust	(751)	(247)
Gain on disposal of property, plant and equipments	(14)	-
Employees' Share Scheme ("ESS") expenses	1,130	1,153
Interest expense	7	9
Interest income	(16)	(2)
Operating profit before working capital changes	<u>8,497</u>	<u>11,940</u>
Decrease in inventories	-	29
Decrease in trade receivables	2,413	(2,642)
Increase in other receivables	(1,738)	(421)
Increase in trade payables	144	2,721
Increase in other payables	665	2,785
Cash generated from operations	<u>9,981</u>	<u>14,412</u>
Interest paid	(7)	(9)
Tax paid	(1,315)	(1,004)
Tax refunded	1,324	1,258
Net cash generated from operating activities	<u>9,983</u>	<u>14,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16	2
Proceeds from disposal of property, plant and equipments	253	-
Investment in unit trust	(2,116)	(7,223)
Purchase of property, plant and equipments	(2,310)	(4,042)
Investment in a joint venture	(1,574)	-
Net cash used in investing activities	<u>(5,731)</u>	<u>(11,263)</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	Current Year To Date 30.09.2019 RM'000	preceding Year Corresponding Period 30.09.2018 RM'000
CASH OUTFLOW FROM FINANCING ACTIVITIES		
Advances to a joint venture	(394)	-
Repayment of term loan	(1,096)	(1,229)
Repayment of hire purchase and finance lease payable	(184)	(110)
Purchase of treasury shares	(568)	(431)
Dividend paid	(1,530)	(1,534)
Net cash used in financing activities	<u>(3,772)</u>	<u>(3,304)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	480	90
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,504	5,606
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note A15)	<u>5,984</u>	<u>5,696</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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A EXPLANATORY NOTES PURSUANT TO MFRS 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 2018. 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 2018.

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 2018 except for the following new/amended MFRS:

MFRS 16	Leases
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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 preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 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 286,000 unit of shares from the open market at an average price of RM0.38 per share and the total repurchase cost was RM109,875. 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 127 of the Companies Act, 2016. 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

An interim single tier exempt dividend of 6% per share amounting to RM1.5million in respect of the financial year ending 31 December 2019 was paid on 18 September 2019.

A8 Valuation of property, plant and equipments

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

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A9 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							
30.09.2019							
Revenue							
External sales	-	7,181	-	-	268	-	7,449
Inter-segment sales	1,530	-	-	-	-	(1,530)	-
Total revenue	1,530	7,181	-	-	268	(1,530)	7,449
Results							
Segment results	227	2,291	(24)	356	242	-	3,092
Finance income	1	2	-	-	-	-	3
Finance cost	-	(1)	-	(1)	-	-	(2)
Depreciation	-	(720)	(3)	(105)	-	-	(828)
Profit before taxation	228	1,572	(27)	250	242	-	2,265
Current Year To Date							
30.09.2019							
Revenue							
External sales	-	22,673	-	12	804	-	23,489
Inter-segment sales	1,530	-	1	-	-	(1,531)	-
Total revenue	1,530	22,673	1	12	804	(1,531)	23,489
Results							
Segment results	586	7,744	(60)	362	746	-	9,378
Finance income	6	10	-	-	-	-	16
Finance cost	-	(5)	-	(2)	-	-	(7)
Depreciation	-	(2,240)	(11)	(327)	-	-	(2,578)
Profit before taxation	592	5,509	(71)	33	746	-	6,809
preceding Year Corresponding Quarter							
30.09.2018							
Revenue							
External sales	-	8,892	1	33	268	-	9,194
Inter-segment sales	-	-	1	-	-	(1)	-
Total revenue	-	8,892	2	33	268	(1)	9,194
Results							
Segment results	(47)	3,622	(18)	43	225	-	3,825
Finance income	-	-	-	-	-	-	-
Finance cost	-	(3)	-	-	-	-	(3)
Depreciation	-	(744)	(4)	(104)	-	-	(852)
Profit before taxation	(47)	2,875	(22)	(61)	225	-	2,970
preceding Year Corresponding Period							
30.09.2018							
Revenue							
External sales	-	28,316	6	183	804	-	29,309
Inter-segment sales	-	-	5	-	-	(5)	-
Total revenue	-	28,316	11	183	804	(5)	29,309
Results							
Segment results	(304)	9,899	(19)	157	950	-	10,683
Finance income	2	-	-	-	-	-	2
Finance cost	-	(9)	-	-	-	-	(9)
Depreciation	-	(2,253)	(11)	(312)	-	-	(2,576)
Profit before taxation	(302)	7,637	(30)	(155)	950	-	8,100

* This segment represents the rental of investment property.

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

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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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Acquisition of property, plant and equipments:		
Approved and contracted for	1,100	100
Approved but yet to be contracted for	-	150
	<u>1,100</u>	<u>250</u>

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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Cash in hand and at banks	<u>5,984</u>	<u>5,504</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 30.09.2019 RM'000	preceding Year Corresponding Quarter 30.09.2018 RM'000	Current Year To Date 30.09.2019 RM'000	preceding Year Corresponding Period 30.09.2018 RM'000
Revenue	7,449	9,194	23,489	29,309
Profit before taxation	2,265	2,970	6,809	8,100

For the quarter ended 30 September 2019, Tex Cycle and its subsidiaries ("Group") generated total revenue of RM7.4million, a decrease of RM1.7million or 19% compared to the corresponding quarter of the preceding year ended 30 September 2018. Accordingly, the Group made a profit before taxation of RM2.3million for the current quarter, a decrease of RM0.7million compared to the corresponding quarter of the preceding year ended 30 September 2018 as a result of global and domestic economic downturn leading to a lower demand in the recycling and recovery industry.

Recycling and recovery division

For the quarter ended 30 September 2019, the revenue of the recycling business decreased by RM1.7million or 19% as compared to that of the corresponding quarter preceding year. The decrease is mainly due to global and domestic economic downturn leading to a lower demand in the recycling and recovery industry.

Manufacturing division

For the current quarter, the revenue of the manufacturing division decreased by RM2,000 as compared to the corresponding quarter preceding year. There is no demand from the defence industry.

Trading division

For the current quarter, the revenue of the trading division decreased by RM33,000 as compared to the corresponding quarter preceding year. The decrease is mainly due to the lower sales demand from customers.

B2 Material changes in quarterly results compared to the results of the preceding quarter

	Current Year	Previous Quarter
	Quarter 30.09.2019 RM'000	30.06.2019 RM'000
Revenue	7,449	8,083
Profit before taxation	2,265	3,327

The Group's revenue for the current quarter was RM7.4million as compared to the revenue for the preceding quarter of RM8.0million, representing a decrease of RM0.6million, or 8%. The Group made a profit before taxation of RM2.3million for the current quarter, a decrease of RM1.1million compared to the preceding quarter ended 30 June 2019 as a result of global and domestic economic downturn leading to a lower demand in the recycling and recovery industry coupled with higher bad debts recovered and a one-off judgement sum received from the FACT case in the previous quarter.

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B3 Prospects

Tex Cycle (P2) plant ("Tex Cycle P2"), a wholly-owned subsidiary of Tex Cycle Technology (M) Berhad, 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 had obtained approval from Sustainable Energy Development Authority Malaysia (SEDA) in 2016 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 through a power purchase agreement ("PPA") signed on 2 February 2017 at a fixed tariff rate of RM0.4766 per kWh for sixteen (16) years.

However, on 30 April 2019 while TCP2 was in the midst of doing Initial Operation Date ("IOD") testing, the Company was informed by the DOE Putrajaya that the company is now required to carry out an Environmental Impact Assessment ("EIA") under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015 followed by a letter from Department of Environment dated 21 June 2019 to update its existing EIA and including new Terms of Reference. As such, the Company had to stop its IOD testing and proceed with its application to SEDA for a further extension of time for the IOD and Feed-in Tariff Commencement Date.

Meanwhile, Tex Cycle P2 is working closely with Kalung Berkas Sdn Bhd ("KB") on the first workable gasification renewable electrical energy plant from municipal solid waste in Pahang and Pakar Go Green Sdn Bhd ("PGG") on the technology and technical know-how of the biochar products. Tex Cycle Sdn Bhd is now focusing on the renewable electrical energy plant ("REEP") project in United Kingdom with Culzean W2E Limited ("Culzean").

The upcoming quarters' core business result is expected to be comparable as the present quarter subject to the recovery of the global and domestic economic situation. However, with the crystallisation of the abovementioned projects, these shall bring positive impact to the Company in future.

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 2019 comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2019 RM'000	preceding Year Corresponding Quarter 30.09.2018 RM'000	Current Year To Date 30.09.2019 RM'000	preceding Year Corresponding Period 30.09.2018 RM'000
Income tax				
Estimated tax payable for current period	72	556	1,185	894
Under provision in prior year	177	95	177	95
Deferred tax				
Estimated deferred tax for current period	-	(84)	-	(84)
	<u>249</u>	<u>567</u>	<u>1,362</u>	<u>905</u>

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B6 Status of corporate proposals

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

B7 Borrowings and debt securities

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
<i>Short term borrowings:</i>		
Secured-Term loan	1,489	1,489
Unsecured - Hire purchase and finance lease payable	120	120
	1,609	1,609
<i>Long term borrowings:</i>		
Secured-Term loan	9,632	10,728
Unsecured - Hire purchase and finance lease payable	2	186
	9,634	10,914
	<u>11,243</u>	<u>12,523</u>

B8 Material litigation

There is no material litigation as at 14 November 2019.

B9 Dividends declared

No dividend has been recommended for the current financial period ended 30 September 2019.

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B10 Profit before taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2019 RM'000	preceding Year Corresponding Quarter 30.09.2018 RM'000	Current Year To Date 30.09.2019 RM'000	preceding Year Corresponding Period 30.09.2018 RM'000
Profit before taxation is arrived at after the following charges/(credits):				
Depreciation of property, plant and equipments	828	852	2,578	2,576
Allowance for expected credit losses - net	14	(162)	152	283
Inventory written off	-	-	20	-
Bad debts recovered - net	(4)	(28)	(773)	(35)
Gain on disposal of property, plant and equipments	(13)	-	(14)	-
Gain on investment in unit trusts	(110)	(67)	(751)	(247)
Changes in fair value of investment property	-	-	-	(238)
Judgement sum received from FACT case	-	-	(258)	-
Employees' Share Scheme ("ESS") expenses	-	-	1,130	1,153
Decrease/(Increase) in fair value of unit trusts	(339)	(227)	(645)	341
Interest income from deposits placed with licensed banks	(3)	-	(16)	(2)
Interest expenses on term loans	1	1	2	3
Interest expenses on hire-purchase	1	2	5	6

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B11 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 30.09.2019	preceding Year Corresponding Quarter 30.09.2018	Current Year To Date 30.09.2019	preceding Year Corresponding Period 30.09.2018
Net profit for the period (RM'000)	2,016	2,403	5,447	7,195
Weighted average number of ordinary shares in issue ('000)	254,322	254,034	254,322	254,034
Basic earnings per share (sen)	0.79	0.95	2.14	2.83

(b) Diluted earnings per ordinary share

Not applicable to the Company.

By Order of the Board

Ho Siew Choong

Executive Chairman

Selangor Darul Ehsan

Date: 14 November 2019