



CONTENTS

Annual Report and Financial Statements 31 December 2005

Corporate Profile	2 - 4
Corporate Information	5
Profiles of Directors	6 - 7
Chairman's Statement	8 - 9
Financial Highlights	10 - 11
2005 Milestone	12 - 13
Statement on Corporate Governance	14 - 20
Audit Committee Report	21 - 23
Statement on Internal Control	24
Financial Statements	25 - 53
Statement of Directors' Shareholdings	54
Analysis on Shareholdings	55 - 56
List of Properties	57 - 58
Notice of Annual General Meeting	59 - 61
Notice of Nomination of New Auditors	62
Proxy Form	63 - 64



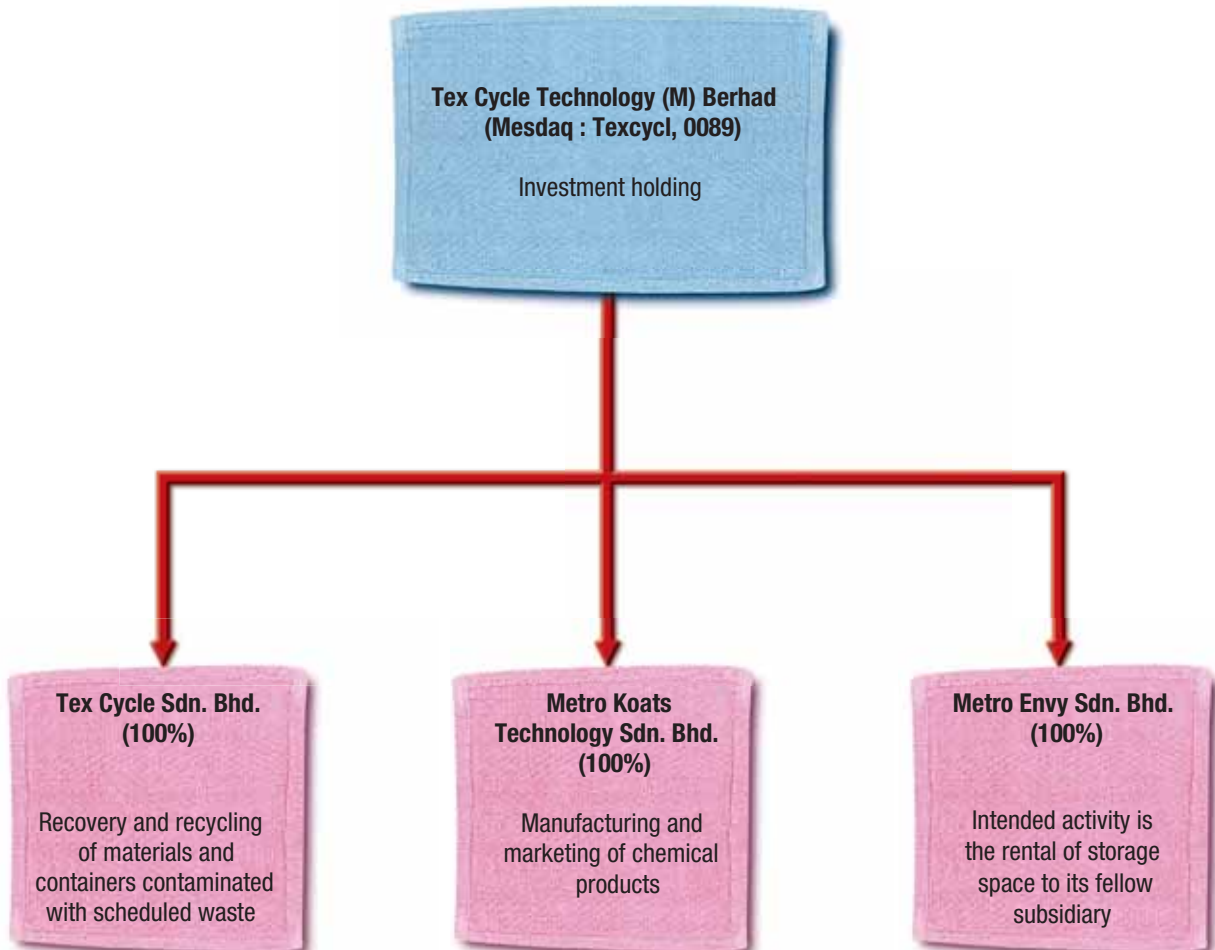


TCSB's head office

Tex Cycle Technology (M) Berhad (“Tex Cycle” or “Company”) was incorporated in Malaysia as a private limited company on 17 February 2004 under the Companies Act, 1965 under the name Tex Cycle Technology (M) Sdn. Bhd. On 11 March 2004, it was converted into a public company and assumed its present name. The Company was established to become the investment holding company of the Tex Cycle Sdn. Bhd. (“TCSB”), Metro Koats Technology Sdn. Bhd. (“MKT”) and Metro Envy Sdn. Bhd. (“Metro Envy”) (collectively referred to as “Tex Cycle Group” or “Group”) in conjunction with the listing of Tex Cycle on the MESDAQ Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 27 July 2005.

The Tex Cycle Group’s corporate structure and principal activities are as follows:

GROUP STRUCTURE





TCSB'S SERVICES

TCSB is a company that specialises in recycling and recovery of scheduled waste. It was formed in 1984, a time when contaminated waste was unintentionally dumped in landfills or burned indiscriminately at obscure places. Sharing the same vision of the Department of Environment (“DOE”) to continuously protect the land we live on, TCSB has developed to earn pioneer status in the recycling of scheduled waste. TCSB practices and acts on the worldwide effort of waste management, living the motto of “reduce, reuse, recover, recycle”.

TCSB collects used materials directly from companies in the electronics, engineering, automobile, oil & gas, printing and other manufacturing industries, all of which use rags, wipes and gloves which are soiled with grease, inks, solvents and whatever substance imaginable. Such wastes are now highly regulated and have to be disposed off, at sites permitted by the DOE and handled only by licensed contractors. Every year, the ever-increasing hundreds of tons of soiled rags, wiper cloths and gloves are transported by our licensed fleet of trucks to TCSB.

TCSB's job is to remove contaminants from the soiled materials so that they can be reused. Damaged materials can also be converted into safe recyclable products, fit for use.

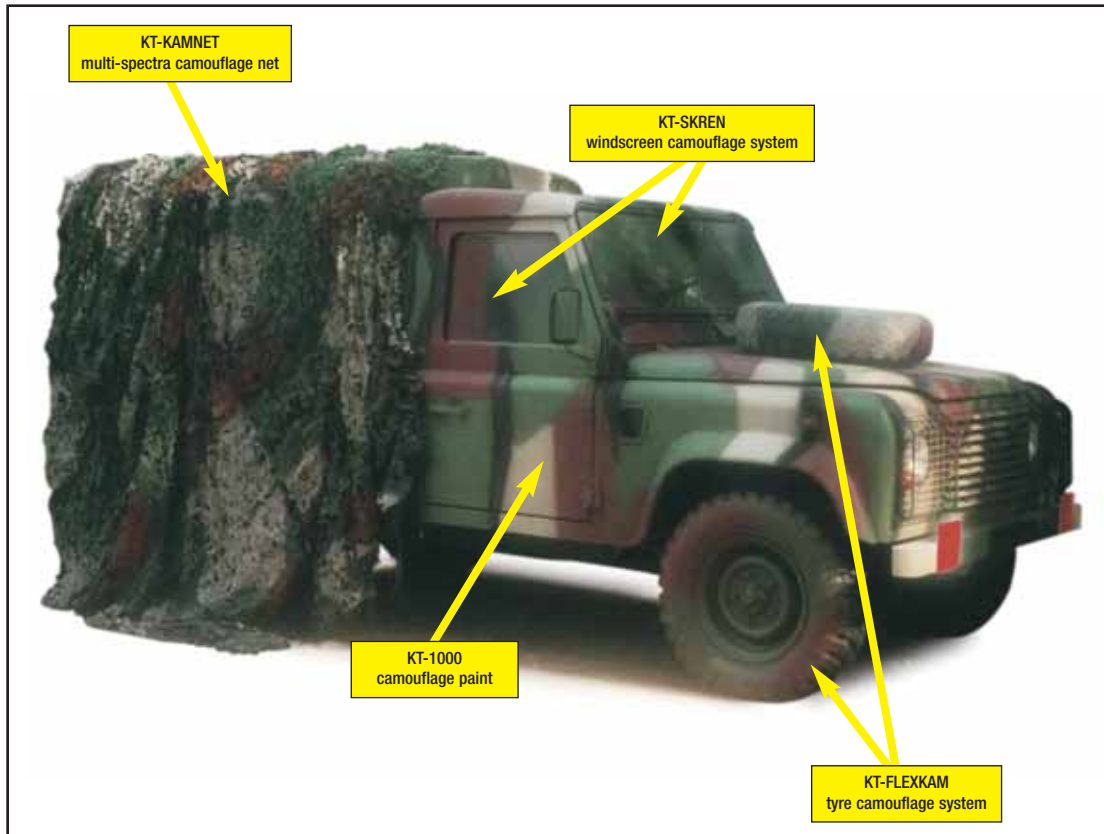


MKT'S PRODUCTS

Formed in 1995, MKT is a specialist in designing and manufacturing camouflage products for tactical military applications. Its unique innovative products all conceived by MKT continues to attract the attention of defense forces from around the world. Evermore so in the modern warfare where deception and camouflage techniques would decide the outcome of a conflict. MKT's "TOTAL CAMOUFLAGE SYSTEM" is an innovative approach to a seamless integration of a complete tactical camouflage for military hardware in a broad electromagnetic spectrum.

MKT also formulates and supplies chemical solutions for the treatment of contaminated waste and effluent to TCSB.

"TOTAL CAMOUFLAGE SYSTEM"



An innovative seamless integration of camouflage technology spanning a broadband electromagnetic spectrum from visual to millimetre wavelength.

METRO ENVY

Metro Envy was incorporated on 16 January 2004 and the intended activity is the rental of storage space to its fellow subsidiary.

BOARD OF DIRECTORS
Ho Siew Choong
Executive Chairman
Periasamy A/L Sinakalai
Managing Director
Lt. Gen. (R) Dato' Jaffar Bin Mohamed
Executive Director
Yusseri Bin Said
Executive Director
Ho Siew Cheong
Executive Director
Ho Siew Weng
Executive Director
General (R) Dato' Seri Che Md Noor Bin Mat Arshad
Independent Non-Executive Director
Razali Bin Jantan
Independent Non-Executive Director
AUDITORS

Messrs Ernst & Young (AF:0039)
Chartered Accountants

COMPANY SECRETARIES

Ng Yim Kong (LS 0008343)
Wong Youn Kim (MAICSA 7018778)

PRINCIPAL BANKER

Public Bank Berhad (6463-H)

SPONSOR

Hwang-DBS Securities Berhad (14389-U)
Suite 23A-01, 23A Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03-2143 7888
Fax: 03-2148 2989

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 26, Menara Multi Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03- 2721 2222
Fax: 03- 2721 2530

REGISTERED OFFICE

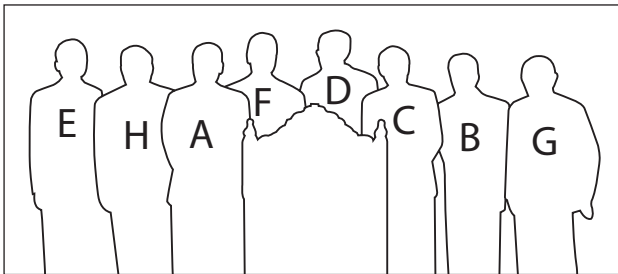
Unit 07-02, Level 7
Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7804 5929
Fax: 03-7805 2559

CORPORATE OFFICE

8, Jalan TPK 2/3
Taman Perindustrian Kinrara
47100 Puchong
Selangor Darul Ehsan
Tel: 03-8076 3816/19/21/23
Fax: 03-8076 3817
Email: texcycle@po.jaring.my
Website: <http://www.texcycle.com.my>

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad
Stock Name: TEXCYCL
Stock Code: 0089



- A - HO SIEW CHOONG
- B - PERIASAMY A/L SINAKALAI
- C - LT. GEN. (R) DATO' JAFFAR BIN MOHAMED
- D - YUSSERI BIN SAID
- E - HO SIEW CHEONG
- F - HO SIEW WENG
- G - GENERAL (R) DATO' SERI CHE MD NOOR BIN MAT ARSHAD
- H - RAZALI BIN JANTAN

HO SIEW CHOONG

Executive Chairman; 54 years of age; Malaysian

Ho Siew Choong was appointed to the Board of Tex Cycle on 13 May 2005. He obtained a Diploma of Graphic Reproduction from London College of Printing, United Kingdom in 1974 and a Diploma in Post Award Studies (graphic reproduction) in 1975. Upon his return from the United Kingdom he joined Metro-Engravers Sdn. Bhd. and was involved in all areas of business management such as Human Resource, Finance, Marketing, R&D, Sales and Distribution. He was appointed as a Chairman in Metro-Engravers Sdn. Bhd. in 2000. He is the person responsible for advancing Metro-Engravers Sdn. Bhd. to a highly advanced field of pre-print electronic system. He was appointed as a Director in TCSB in 1995 and has since been involved in various aspects of TCSB's business which include Administration and Finance. He is also one of the three members of TCSB's R&D team which is working to enhance and improve TCSB's methods of recovery and recycling as well as to design and develop new methods of recovery and recycling, as well as new products and services.

PERIASAMY A/L SINAKALAI

Managing Director; 55 years of age; Malaysian

Periasamy A/L Sinakalai was appointed to the Board of Tex Cycle on 13 May 2005. He obtained a Senior Cambridge Certificate in 1968. He started his career in The New Straits Times Group in 1969 at the young age of 18. After 10 years of service in The New Straits Times Group he left his position as a Production Planner to join Papyrus Printing, a subsidiary of the Star Publications for two years. He then joined Malaysian British Assurance Berhad and was promoted to the position of a Production Manager in 1979. His tenure in Malaysian British Assurance Berhad lasted for about 5 years before he left in 1985 to join TCSB as a Marketing Manager. Periasamy A/L Sinakalai subsequently became a shareholder of TCSB and was appointed the Executive Director of TCSB on 21 April 1986. In addition to his role as a Marketing Manager, he has also been directly involved in TCSB's Administration and is an integral part of TCSB's R&D team. He was awarded the Pingat Masyarakat Cemerlang (PMC) by the Yang Dipertua Negeri Sembilan on 25 October 2001.

LT. GEN. (R) DATO' JAFFAR BIN MOHAMED

Executive Director; 71 years of age; Malaysian

Lt. Gen. (R) Dato' Jaffar Bin Mohamed was appointed to the Board of Tex Cycle on 13 May 2005. He graduated from the Royal Military Academy, Sandhurst, United Kingdom in December 1957. Upon graduation, he served the armed forces of Malaysia until 1990, where he retired as Lieutenant General. He was appointed as a Chairman of the Board of MKT in 1996. He is also currently the Chairman of Artimal Sdn. Bhd. and MJM Resources Sdn. Bhd. He was a Director in Affin Finance Berhad from 1991 to 1998, a Chairman in Harper Wira Sdn. Bhd. from 1992 to 1998 and an Executive Director in Mafira Techniques Sdn. Bhd. from 1991 to 1999.

YUSSERI BIN SAID

Executive Director; 48 years of age; Malaysian

Yusseri Bin Said was appointed to the Board of Tex Cycle on 13 May 2005. He graduated from Universiti Sains Malaysia with a Bachelor of Science (Honours) in 1984. He started his career in the banking industry as a Trainee Officer in Malayan Banking Berhad. In 1995, he obtained a Masters in Business Administration from Ohio University, USA upon completion of a twinning programme at the Universiti Teknologi MARA (UiTM). He subsequently left Malayan Banking Berhad and was appointed as a Director in YNA Corporation Sdn. Bhd. In 1997, he was appointed to the Board of Directors of MKT.

HO SIEW CHEONG

Executive Director; 44 years of age; Malaysian

Ho Siew Cheong was appointed to the Board of Tex Cycle on 13 May 2005. He graduated with a Bachelor of Science from the University of Newcastle-upon-Tyne, United Kingdom in 1985. Upon graduation, he started his career as a Site Engineer in General Fire Fighting Sdn. Bhd. He was later appointed as a Sales Manager in Metro-Engravers Sdn. Bhd. in 1987. In 1995 he founded MKT and has been a Director in MKT ever since. He is also the Head of R&D in MKT where he is responsible for the development and invention of all the products of MKT, including camouflage paint and chemical formulae/solutions for the process of treatment of contaminated waste and effluent. Due to his expertise in developing chemical formulae/solution, he is also a member of TCSB's R&D team, focusing on the development of TCSB's waste treatment system.

HO SIEW WENG

Executive Director ; 49 years of age; Malaysian

Ho Siew Weng was appointed to the Board of Tex Cycle on 13 May 2005. He was appointed to the Board of TCSB in 13 August 2001. He has been directly involved in various areas of TCSB's business management, particularly Marketing, Sales and Distribution. Prior to his appointment to the Board of TCSB, he was attached to Metro-Engravers Sdn. Bhd. and was involved mainly in the Sales and Marketing Department. TCSB has benefited from his experience in marketing and sales, where his job function includes building a sales and marketing team with representatives based in different locations to reap the full benefit of local knowledge. He is also in charge of exploring new business potential in both the regulated and non-regulated waste generating industries.

GENERAL (R) DATO' SERI CHE MD NOOR BIN MAT ARSHAD

Independent Non-Executive Director; 63 years of age; Malaysian

General (R) Dato' Seri Che Md Noor Bin Mat Arshad was appointed to the Board of Tex Cycle on 13 May 2005. He graduated from the Royal Military College in 1961 and subsequently joined the Malaysian Armed Forces as an Officer. During his attachment with the Malaysian Armed Forces, he also managed to obtain a Master's Degree in International Relations and Strategic Studies from Lancaster University, United Kingdom in 1983. He served the Malaysian Armed Forces until 1997, where he retired as the Chief of the Army, the highest recognition in the Malaysian Army. He is currently also the chairman for Zenith Network Sdn. Bhd., YWC Engineers & Construction Sdn. Bhd., and Jendela Hikmat Sdn. Bhd.

RAZALI BIN JANTAN

Independent Non-Executive Director; 48 years of age; Malaysian

Razali Bin Jantan was appointed to the Board of Tex Cycle on 13 May 2005. He graduated with a Diploma in Business from Stamford College in 1982 and subsequently joined Modern Commodities Trading as a Dealer. From 1983 to 1992, he was attached to Malaysian Tobacco Company Berhad as a Marketing Executive. In 1993, he founded Quest Entrepreneur Sdn. Bhd., which is involved in event management, and QE Advertising (M) Sdn. Bhd., which is an advertising agency. He is currently the Managing Director of Quest Entrepreneur Sdn. Bhd. and the Chief Executive Officer of QE Advertising (M) Sdn. Bhd. He is proficient in various languages including several Chinese dialects.



The year 2005 marked a remarkable achievement of the Tex Cycle Group with the initial public offering cum listing of Tex Cycle on the MESDAQ Market of Bursa Malaysia Securities Berhad ("IPO"). As a small company which began its operations in a small shophouse with only three workers, the Tex Cycle Group has now expanded to become one of the leading scheduled waste recycling services providers in Malaysia with a customer base of more than 950 customers. On behalf of the Board of Directors of Tex Cycle, I am pleased to present the Annual Report and Financial Statements of the Group for the financial year ended ("FYE") 31 December 2005.

Overview

During the financial year under review, the Group's customer base achieved considerable growth in line with the rapid expansion of its container cleaning services for the oil and gas industry. As at 31 December 2005, the Group has approximately 950 customers, an increase of approximately 36.5% as compared to its customer base of 696 customers as at 31 December 2004. In line with the growth of its customer base, the Company achieved a revenue of about RM11.0 million in the FYE 31 December 2005, an increase of 17% as compared to that of the previous financial year.



Industry trend

According to Infocredit D&B (Malaysia) Sdn. Bhd. in their Executive Summary of the Independent Market Research Report for Tex Cycle dated 13 June 2005, the growth of the scheduled waste recycling services industry is still at an early stage and is expected to flourish over the next few years. In general, business opportunities for environmental services and products grow in tandem with industrial development's increasing demand for better environmental management. As such, in Malaysia, there are yet ample business opportunities in the field of prevention and pollution control, clean and appropriate technology.

In light of the increasing demand for better environmental management in Malaysia, the Group is expected to achieve considerable growth in the short to medium term, spearheaded by the container recycling segment.

Utilisation of proceeds from the IPO

As at 31 December 2005, the Tex Cycle Group has utilised approximately 72.4% of the gross proceeds of RM9.90 million raised from the IPO for the following:

- (i) To finance the capital expenditure for expansion;
- (ii) To partly finance the acquisition of land;
- (iii) To repay bank borrowings;
- (iv) To strengthen the Group's working capital; and
- (v) Payment of the listing expenses.

Financial Review

For FYE 31 December 2005, the Tex Cycle Group achieved revenue of about RM11.0 million, an increase of 17% as compared to that of the previous financial year. The Group profit before tax ("PBT") surged by about 42%, from RM3.1 million for the FYE 31 December 2004 to RM4.3 million for the FYE 31 December 2005. In line with the increase in PBT, the Group's profit after tax ("PAT") increased by 45%, from RM2.1 million to RM3.1 million.

The improvement in PBT and PAT was mainly attributed to the Group's market penetration for its recycling business.



Dividends

In recognition of the Group's commendable performance, the Board is proposing a first and final dividend of 5% less 28% taxation on 170,793,000 ordinary shares, amounting to a total dividend payable of RM614,855 (0.36 sen net per ordinary share) in respect of the FYE 31 December 2005 subject to shareholders' approval at the forthcoming Annual General Meeting.

Corporate Developments

On 4 January 2006, TCSB, a wholly-owned subsidiary of Tex Cycle was awarded the prestigious Prime Minister's Hibiscus Award for Notable Achievement in Environmental Performance. TCSB was also awarded the Small and Medium Scale Enterprises ("SME") Special Award, which is awarded to only the best performing SME participant. The Prime Minister's Hibiscus Award, which represents the highest recognition for good environmental practices in Malaysia, has further reinforced the Group's position as the scheduled waste recycler of choice.



In addition, led by the project team that was set up to assess the viability and feasibility of the venture into Thailand, the Company had, from 6 to 9 October 2005, taken part in the Eco Product International Fair held by the Department of Environment of Thailand and Japan External Trade Organisation, in Bangkok. The fair was to bring together companies dealing with environmental products and services. The exhibition by the Company had received positive response from the visitors and other exhibitors. Tex Cycle is currently in the midst of identifying potential partners for its expansion into Thailand.

MKT, another wholly-owned subsidiary of Tex Cycle, has made advances in marketing its products to foreign countries such as the United States of America, Indonesia and Brunei. Potential buyers from these countries have either made a study visit to MKT's plant, requested for samples and quotation for MKT's products or called for presentations from the MKT.

On 3 April 2006, Dato' Abdul Azeez Abdul Rahim was appointed as a Director of MKT. With his skills, qualification and experience, we believe Dato' Abdul Azeez will be able to contribute positively and significantly to the growth of MKT.

R&D

For the FYE 31 December 2005, we had spent approximately RM293,200 representing 2.71% of the Group's turnover on R&D. The year 2005 saw the full implementation of the can and drum washing machine, which has been the focal point of our development for the past two (2) years to produce a practical system that can decontaminate used drums in an environmentally responsible way. Some headway has been made in the recycling of our sludge into chloride-based compounds that can be reused in the treatment of wastewater. The conversion of sludge to useful products is the last stage of the recycling process to achieve zero-discharge. In addition, we are currently undertaking research into the economic viability of improving detergent strength.

Prospects for 2006

For the financial year ending 31 December 2006, the Group expects to penetrate further into the printing, electrical, chemical, aviation and oil and gas industries for its recycling business. To cater for the expected expansion in capacity for its container cleaning business, the Group has acquired three (3) additional lorries and four (4) container cleaning machines from the proceeds raised from its public listing.

Therefore, the Directors of Tex Cycle expect the Group to continue achieving strong performance for the next financial year ending 31 December 2006.

Appreciation and acknowledgement

I would like to take this opportunity to express my sincere appreciation to all employees of the Group, whose untiring efforts and dedication have been crucial to the continued growth of the Group. My thanks also go to our shareholders, customers, business partners, bankers and regulatory authorities for their continued confidence, guidance and support.

On behalf of the Board



Ho Siew Choong
Executive Chairman
24 April 2006

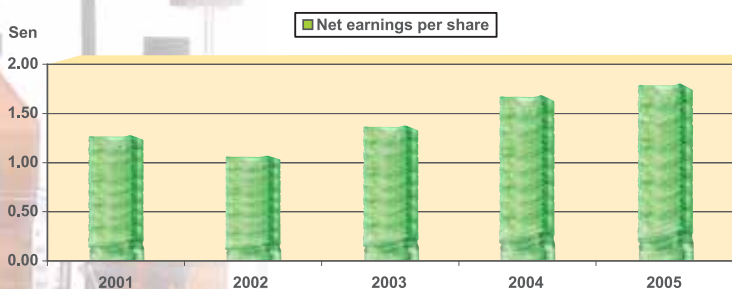
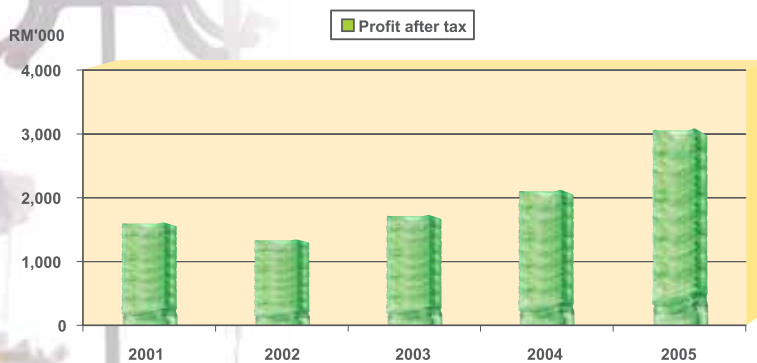
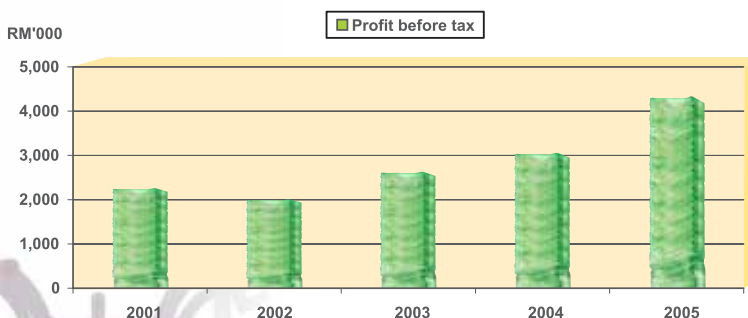
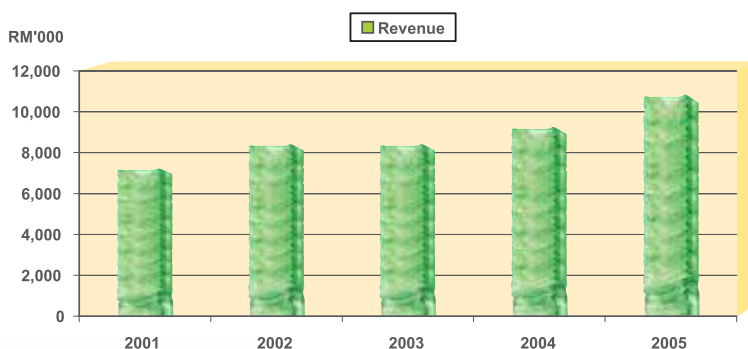
SUMMARISED GROUP INCOME STATEMENT

FYE 31 December	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Revenue	7,203	8,415	8,400	9,246	10,806
Profit before tax	2,258	2,004	2,628	3,054	4,334
Profit after tax	1,608	1,344	1,729	2,121	3,081
Net earnings per share (sen)	1.28 [^]	1.07 [^]	1.37 [^]	1.69 [^]	1.80

Notes:

[^] Based on the number of ordinary shares assumed in issue after the acquisitions of TCSB, MKT and Metro Envy but before the public issue.

1. The figures for the FYE 31 December 2001 to 31 December 2004 are provided on the proforma consolidated basis on the assumption that the existing group structure of Tex Cycle had been in existence throughout the periods under review.

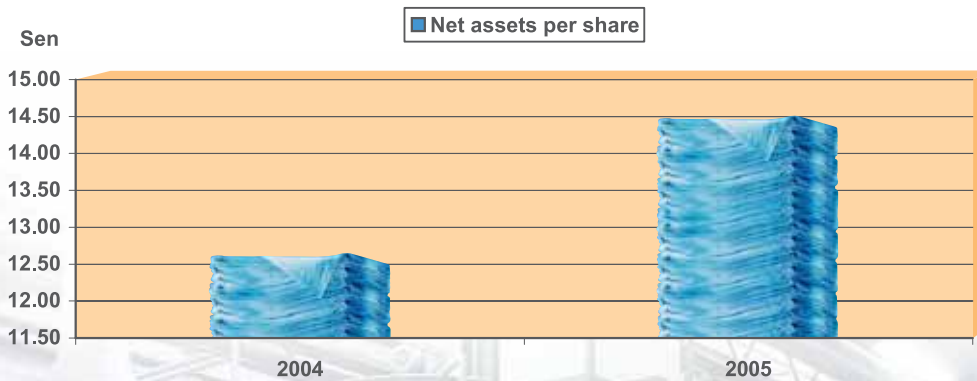
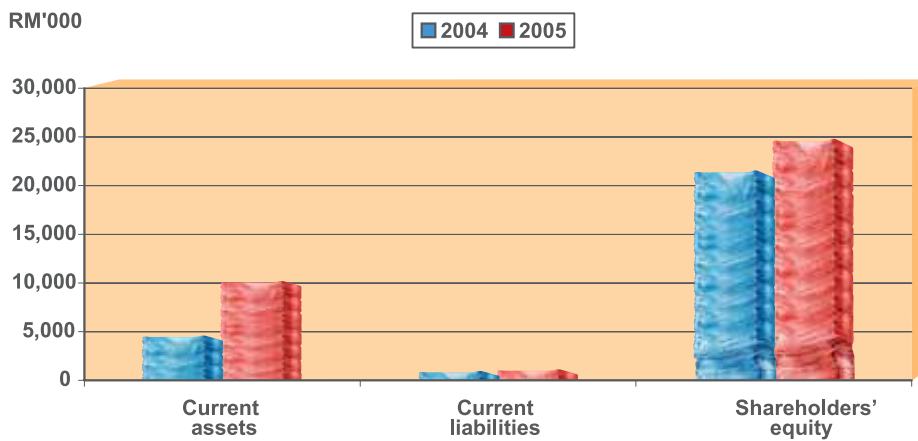


SUMMARISED GROUP BALANCE SHEET

FYE 31 December

	2004*	2005
	RM'000	RM'000
Current assets	4,588	10,139
Current liabilities	1,005	1,133
Shareholders' equity	21,566	24,788
Net assets per share (sen)	12.63	14.51

* Based on the Proforma Consolidated Balance Sheets of the Tex Cycle Group as at 31 December 2004 after taking into account the effect of the initial public offering and utilisation of proceeds.



The year 2005 was an eventful year for the Tex Cycle Group. Our effort through the years has been paid off in terms of awards from various bodies.

27 JULY 2005

Tex Cycle was successfully listed on the MESDAQ Market of Bursa Securities via a public issue of 45 million new ordinary shares of RM0.10 each in Tex Cycle at an issue price of RM0.22 per share. The public portion of 4.6 million shares was 8.13 times oversubscribed.



17 - 18 AUGUST 2005

TCSB won the First Prize in the Landscape Award of Majlis Perbandaran Subang Jaya 2004 under category of "Factory".



6 - 9 OCTOBER 2005

Tex Cycle took part in the Eco Product International Fair held by the Department of Environment of Thailand and Japan External Trade Organisation, in Bangkok.

9 DECEMBER 2005

Visit from Kanzai, Japan. Kanzai is an Non-Governmental Organisation Environment Group consisting of top academician from Japan. Their wish to visit TCSB's plant in itself is recognition of our effort in the field of scheduled waste recycling.



4 JANUARY 2006

TCSB was awarded the prestigious Prime Minister's Hibiscus Award 2004/2005 for Notable Achievement in the Environmental Performance and Small and Medium Scale Enterprises ("SME") Special Award, which is the highest award for excellent environmental practices in the SME category.



The Board of Directors (“Board”) of Tex Cycle is committed to ensure that the highest standards of corporate governance are practiced throughout the Tex Cycle Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Tex Cycle Group. Premised on this, the Board is committed to ensure that high standards of corporate governance are practiced throughout the Company and to apply the principles and best practices as prescribed by the Listing Requirements of the MESDAQ Market of Bursa Securities (“MESDAQ Listing Requirements”), Guidance Notes 2 of the MESDAQ Listing Requirements on Corporate Governance and the Malaysian Code on Corporate Governance (“Code”).

DIRECTORS

The Board

Tex Cycle is led and managed by the Board with a wide range of experience in the relevant fields. Together, the Directors bring a broad range of skills, experience and knowledge required to successfully direct and supervise the Company’s business activities.

Board Composition and Balance

The Board of Directors consists of a Chairman, a Managing Director and six (6) Directors, of whom two (2) are Independent Directors. The roles of the Chairman of the Board and Managing Director are segregated. Tex Cycle complies with the MESDAQ Listing Requirements on the composition of its Board of Directors. The profiles of each of the Directors are set out on pages 6 to 7 of this Annual Report.

Board Meetings

The Board is primarily responsible for the strategic direction of the Group. The Board meets at least four (4) times a year, with additional meetings being convened when necessary. As the Company was only officially listed on the MESDAQ Market of Bursa Securities in the second half of 2005, there were two (2) meetings held for FYE 31 December 2005. Both of the meetings were attended by all Directors.

The meetings were held on 22 July 2005 and 22 November 2005 respectively.

The agenda and issues discussed were prepared and circulated before each meeting. Minutes of the Board meetings are maintained by the Company Secretaries.

All Directors have access to the advice of the Company Secretaries, independent professional advisors and internal/external auditors in appropriate circumstances at the Company’s expense.

Supply of Information

Each Board Member receives regular reports, including a comprehensive review and analysis of the Group’s performance. Prior to each Board meeting, the Directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. The agenda and Board papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary.

Guidelines are in place concerning the content presentation and delivery of papers to the Board for each Board meeting so that the Directors have access to all information within the Company, whether as full board or in their individual capacity, in furtherance of their duties.

The Directors also have direct access to the advice and services of the Group’s Company Secretaries who are responsible for ensuring that the Board procedures are followed.

Directors’ Training

Every Director undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training programmes as prescribed by Bursa Securities from time to time. The Company would provide briefing for new members of the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

All the Directors have attended and successfully completed the Mandatory Accreditation Programme and the Continuing Education Programme pursuant to Bursa Securities’ Guidelines on Training for Directors.

Re-election of Directors

An election of Directors will take place each year where one-third of the Directors shall retire from office at each Annual General Meeting and shall be eligible to offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments.

Board Committees

In carrying out its function, the Board is assisted by several Board Committees whose roles and functions are framed by their respective terms of reference. The committees have been delegated the responsibility to scrutinise particular issues and report back to the Board. However, the ultimate responsibility still rests with the Board. The Committees are:

(i) Audit Committee

The Audit Committee was established on 13 May 2005 with the following members:

	Designation
General (R) Dato' Seri Che Md Noor Bin Mat Arshad <i>Independent Non-Executive Director</i>	Chairman
Ho Siew Choong <i>Executive Chairman</i>	Member
Razali Bin Jantan <i>Independent Non-Executive Director</i>	Member

The Board is assisted by an Audit Committee, whose role and functions are as set out in the Audit Committee Report on pages 21 to 23 of this Annual Report.

(ii) Nomination and Remuneration Committee

In line with the Best Practices of the Code, the Board has set up a Nomination Committee and a Remuneration Committee, both of which comprise a majority of Independent Non-Executive Directors and is responsible for identifying and recommending to the Board suitable nominees for appointment. The Nomination Committee considers the required mix skills and experience and other qualities of the nominees while the Remuneration Committee assists the Board in determining the Directors' remuneration.

The Nomination Committee was established on 22 November 2005 with the following members:

	Designation
Razali Bin Jantan <i>Independent Non-Executive Director</i>	Chairman
General (R) Dato' Seri Che Md Noor Bin Mat Arshad <i>Independent Non-Executive Director</i>	Member

The Remuneration Committee was established on 22 November 2005 with the following members:

	Designation
General (R) Dato' Seri Che Md Noor Bin Mat Arshad <i>Independent Non-Executive Director</i>	Chairman
Razali Bin Jantan <i>Independent Non-Executive Director</i>	Member
Periasamy A/L Sinakalai <i>Managing Director</i>	Member

Attendance at Board and Committee Meetings

Number of meetings held and attended from 1 July 2005 to 31 December 2005:

Name of Executive Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Ho Siew Choong	2	2	-	-
Periasamy A/L Sinakalai	2	2	1	-
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	2	2	-	-
Yusseri Bin Said	2	2	-	-
Ho Siew Cheong	2	2	-	-
Ho Siew Weng	2	2	-	-
Name of Non-Executive Directors				
General (R) Dato' Seri Che Md Noor Bin Mat Arshad	2	2	1	1
Razali Bin Jantan	2	2	1	1
Total no. of meetings	2	2	1	1

DIRECTORS' REMUNERATION

The determination of the remuneration packages for Independent Non-Executive Directors is a matter of the Board as a whole, with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.

The Directors are satisfied that the current level of remuneration is in line with the responsibilities expected.

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorised into appropriate components for the FYE 31 December 2005 are as follows:

	Executive RM	Non-Executive RM	Total RM
Salaries and other emoluments	270,000	-	270,000
Allowance	104,840	12,000	116,840
Fees	72,000	-	72,000
Bonus	45,000	-	45,000
Social security costs	550	-	550
Pension costs	32,400	-	32,400
	524,790	12,000	536,790

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective band are as follows:

	Executive RM	Non-Executive RM
RM150,000 - RM200,000	1	-
RM50,000 - RM100,000	4	-
Nil - RM50,000	1	2
	6	2

SHAREHOLDERS

Dialogue with Investors

Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following:

- (i) The Annual Report; and
- (ii) The various disclosures and announcements made to Bursa Securities including Quarterly Results and Annual Results.

Investor Relations

Along with good corporate governance practices, the Company has embarked on appropriate corporate policies to provide greater disclosure and transparency through all its communication with the public, the shareholders and investors.

The Company strives to promote and encourage bilateral communication with its shareholders through participation at its general meetings and also ensure timely dissemination of any information to the investors, analysts and public at large. The Company always maintains and promotes transparency in its business activities and to continually keep its shareholders and the public well informed on the Company's activities.

Annual General Meetings

The Annual General Meeting ("AGM") is an important forum for shareholders to share viewpoints and to acquire information on issues relevant to the Group. Shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty-one (21) days before the meeting. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

At the AGM, the Managing Director of the Tex Cycle Group will conduct a brief presentation on the Group's financial performance and prospects while shareholders are given ample time and opportunity to ask for more information on the audited financial statements or other matters concerning the Company. The Chairman and the Board Members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders. Status of all resolutions proposed at the AGM are submitted to Bursa Securities at the end of the meeting day. A press conference will be held immediately after the AGM to allow Directors and the Management to meet the members of the media to clarify or explain any issues raised.

The Company also maintains a website at <http://www.texcycle.com.my>.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible to ensure that the financial statements prepared are drawn up in accordance with the provision of the Companies Acts, 1965 and applicable Approved Accounting Standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates.

The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors before releasing to Bursa Securities. The details of the Group and the Company's financial statements for the FYE 31 December 2005 are set out on pages 26 to 53.

Internal Controls

The Board has conducted a review of the effectiveness of the Group's System of Internal Control. The scope and results of the review are detailed in the Statement on Internal Control for the Group.

Relationship with the Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlight to the Audit Committee and the Board matters that require the Board's attention.

DIRECTORS RESPONSIBILITY STATEMENT FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 32 of this Annual Report, is made with a view of enabling shareholders to distinguish the respective responsibilities of the Directors and the auditors in relation to the financial statements.

The Directors are required by the Companies Act, 1965 to prepare audited financial statements that give a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of each financial year and of the results for the financial year.

The Directors consider that in preparing the financial statements set out on pages 26 to 53 of this Annual Report, which have been prepared on a going concern basis, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments cum estimates have been used and that applicable Approved Accounting Standards have been followed.

The Directors are also responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enables them to ensure that the financial statements comply with the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia.

The Directors are also responsible for taking such steps that are reasonable to safeguard the assets of the Group and the Company and for the prevention and detection of fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION
Utilisation of Proceeds

The public issue of 45,000,000 ordinary shares of RM0.10 each at an issue price of RM0.22 per share in Tex Cycle was completed and the Company was listed on the MESDAQ Market of Bursa Securities on 27 July 2005.

The details of the utilisation of proceeds as at 31 December 2005 is as follows:

	Proposed Utilisation RM'000	Amount Utilised RM'000	Balance Unutilised RM'000
Cash portion of consideration for the acquisition of land	3,500	3,500	-
Capital expenditure for expansion	2,870	841	2,029
Repayment of bank borrowings	1,320	1,239	81 @
Working capital	710	710	-
Listing expenses	1,500	878	622 #
Total	9,900	7,168	2,732

@ All the bank borrowings have been paid off as at 31 October 2005. The unutilised amount will be allocated for the working capital of the Tex Cycle Group.
Excess listing proceeds due to earlier payment of listing expenses prior to the date of listing. To be utilised for working capital of the Tex Cycle Group.

Non-Audit Fee

The amount of non-audit fees paid to the external auditors by the Group for the financial year amounting to RM40,500.

Material Contracts

Save as disclosed in the prospectus of Tex Cycle dated 29 June 2005 ("Prospectus"), there was no material contract involving Directors' and substantial shareholders' interest, either still subsisting at the end of the FYE 31 December 2005 or entered into since the end of the previous financial year.

Profit Forecast and Profit Guarantee

The Group recorded a profit after taxation of RM3.08 million for the FYE 31 December 2005, which is approximately 5.5% lower than the forecast figure of RM3.26 million as disclosed in the Prospectus dated 29 June 2005. The variance is mainly due to higher costs of disposal of sludge and chemical products as compared to the previous financial year.

There was no profit guarantee given by the Company during the FYE 31 December 2005.

Recurrent Related Party Transactions of Revenue Nature

During the FYE 31 December 2005, there were no recurrent related party transactions of revenue or trading nature between the Company and its related parties.

Share Buybacks

During the FYE 31 December 2005, there were no share buybacks by the Company.

Options, Warrants or Convertible Securities

During the FYE 31 December 2005, no options, warrants or convertible securities were issued by the Company.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

During the FYE 31 December 2005, the Company did not sponsor any ADR or GDR programme.

Contract Relating to Loans

There were no contracts relating to loans by the Company.

Revaluation of Landed Properties

The Company did not revalue its property, plant and equipment and does not have a policy on the revaluation of its landed properties.

Imposition of Sanctions/Penalties

During the FYE 31 December 2005, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

MEMBERSHIP AND MEETINGS

The Audit Committee is appointed by the Board amongst its members and consists of three (3) members, the majority of whom are Independent Directors.

The Audit Committee comprises the following members:

Chairman

General (R) Dato' Seri Che Md Noor Bin Mat Arshad
Independent Non-Executive Director

Members

Ho Siew Choong
Executive Chairman

Razali Bin Jantan
Independent Non-Executive Director

The Audit Committee met two (2) times during the FYE 31 December 2005, which were attended by all members. The Financial Controller was invited to all these meetings.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities undertaken by the Audit Committee during the FYE 31 December 2005 included the following:

- (a) Reviewed the quarterly unaudited financial reports before submission to the Board for consideration and approval;
- (b) Reviewed the internal audit plan;
- (c) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- (d) Review the effectiveness of the Group's system of internal control;
- (e) Review the Company's compliance with the MESDAQ Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements; and
- (f) Report to the Board on its activities and significant findings and results.

INTERNAL AUDIT FUNCTION

Tex Cycle has appointed Messrs Focus Internal Audit Solution ("Internal Auditor"), a professional firm of qualified accountants, to undertake the internal audit function. The role of the Internal Auditor is to provide the Committee with independent and objective reports on the system and state of internal controls of the Company.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, the majority of whom shall be Independent Directors with an appropriate mix of skills and experience. The Chief Executive Officer shall not be a member of the Audit Committee.

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, fill the vacancy within two (2) months, but in any case not later than three (3) months.

2. Chairman

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

3. Secretaries

The Company Secretaries shall be the Secretaries of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretaries shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Committee members and to the other members of the Board.

4. Meetings and Quorum

Meetings shall be held not less than four (4) times a year as and when the Audit Committee deems necessary.

A minimum of two (2) members present shall form a quorum. In the event that the Chairman is unable to attend a meeting, a member of the Audit Committee shall be nominated as Chairman of the meeting. The nominated Chairman shall be an Independent Director.

The Committee may invite other Directors and employees to the meeting to brief the Audit Committee on issues that are incorporated into the agenda.

Upon the request of the auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

Significant results and findings from the Audit Committee's deliberation shall be put in writing and issued to the Board. The Audit Committee shall submit an annual report to the Board summarising its activities and significant findings during the year.

5. Authority and Rights

The Audit Committee has ensured that, wherever necessary and reasonable for the performance of its duties, in accordance with the procedure determined by the Board and at the cost of the Company:

- (i) It has authority to investigate any matter within its terms of reference;
- (ii) It has the resources which are required to perform its duties;
- (iii) It has full and unrestricted access to any information pertaining to the Group;
- (iv) It has direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (v) It is able to obtain independent professional or other advice; and
- (vi) It is able to convene meetings with the external auditors, excluding the attendance of the executive members of the Group, whenever deemed necessary.

6. Functions and Duties

The Audit Committee shall, amongst others, discharge the following functions:

- (i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
- (iii) To discuss with the external auditors the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;
- (iv) To review and report to the Board if there is reason (supported) to believe that the external auditors are not suitable for reappointment;
- (v) To review the quarterly results and annual financial statements prior to the approval by the Board, focusing particularly on:
 - Any changes in the accounting policies and practices;
 - Significant issues arising from the audit;

- Major judgmental area;
 - The going concern assumption; and
 - Compliance with accounting standards and other statutory and legal requirements;
- (vi) To discuss problems and reservations arising from interim and final audits and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (vii) To review the external auditor's management letter and management's response;
- (viii) To do the following in relation to the internal audit function:
- Review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate action is taken in the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function; and
 - Keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation;
- (ix) To consider any related party transactions that may arise within the Group or the Company;
- (x) To consider the major findings of internal investigations and the management's response; and
- (xi) To consider other topics as defined by the Board.

Pursuant to the MESDAQ Listing Requirements and Guidance Notes 2 of the MESDAQ Listing Requirements on Corporate Governance, the Board is required to include in its Annual Report, a statement on the effectiveness of the Group's system of internal controls.

The Board is responsible for maintaining a sound internal control system in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.

The Board of Directors is ultimately responsible for the overall system of internal control, which also includes the review of its effectiveness. This is vital to ensure that they are consistent with the overall objectives of the Company.

Because of the limitations that are inherent in any system of internal control, the systems are designed to mitigate rather than eliminate risks. Accordingly these systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group's overall internal control system includes:

(i) Control Environment

The internal control mechanism is embedded in the various work processes at appropriate levels in the Group. The Executive Chairman and Managing Director are accountable for ensuring the existence and effectiveness of internal control and provide leadership and direction to senior management on the manner the Group controls its business, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Group, assessment of financial and operational risks and an effective monitoring mechanism.

(ii) Information and Communication

While management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control, as it deems necessary. In doing so, the Board has the right to obtain information and clarification from management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Company.

(iii) Audit Committee

The Board has established the Audit Committee. The present Audit Committee comprises three (3) members of the Board consisting of two (2) Independent Non-Executive Directors and one (1) Executive Director.

Its Terms of Reference together with the Audit Committee Report are disclosed on pages 21 to 23 of the Annual Report.

(iv) Risk Management

Apart from the above, the Group is in the process of formalising its existing risk management system to ensure that all high risks are adequately addressed at various levels within the Group.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the FYE 31 December 2005.

The Board is committed towards improving and enhancing the system of internal control and will continue to take the necessary measures to strengthen it. On-going reviews will be continuously carried out, in accordance with the "Statement on Internal Controls: Guidance for Directors of Public Listed Companies", to ensure continued effectiveness of the system.



FINANCIAL STATEMENTS

For the year ended 31 December 2005

Directors' Report	26 - 29
Statement by Directors	30
Statutory Declaration	31
Report of the Auditors	32
Income Statements	33
Balance Sheets	34
Consolidated Statement of Changes in Equity	35
Statement of Changes in Equity	36
Cash Flow Statements	37
Notes to the Financial Statements	38-53

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are recovery and recycling of can and scheduled waste, manufacturing and marketing of chemical products. The intended activity of a subsidiary is the rental of storage space to its fellow subsidiary.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	3,081,386	1,104,543

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 5% less 28% taxation on 170,793,000 ordinary shares, amounting to a total dividend payable of RM614,855 (0.36 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Ho Siew Choong	(Appointed on 13 May 2005)
Periasamy A/L Sinakalai	(Appointed on 13 May 2005)
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	(Appointed on 13 May 2005)
Yusseri Bin Said	(Appointed on 13 May 2005)
Ho Siew Cheong	(Appointed on 13 May 2005)
Ho Siew Weng	(Appointed on 13 May 2005)
General (R) Dato' Seri Che Md Noor B. Mat Arshad	(Appointed on 13 May 2005)
Razali Bin Jantan	(Appointed on 13 May 2005)
Heah Kooi Teang	(Resigned on 14 May 2005)
George Mathews	(Resigned on 14 May 2005)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	1.1.2005	Number of Ordinary Shares of RM0.10 Each		31.12.2005
		Acquired	Sold	
Holding Company				
-Can Cycle Sdn. Bhd.				
Ho Siew Choong	1	2,947	-	2,948
Periasamy A/L Sinakalai	1	3,035	-	3,036
Ho Siew Cheong	-	1,418	-	1,418
Ho Siew Weng	-	1,290	-	1,290

	1.1.2005	Number of Ordinary Shares of RM0.10 Each		31.12.2005
		Acquired	Sold	
The Company				
-Direct Interest:				
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	-	5,805,840	-	5,805,840
Yusseri Bin Said	-	4,350,130	-	4,350,130
Ho Siew Cheong	-	16,193,491	(12,351,426) *	3,842,065
Ho Siew Choong	-	33,505,938	(25,687,135) *	7,818,803
Ho Siew Weng	-	13,324,085	(11,236,488) *	2,087,597
Periasamy A/L Sinakalai	-	34,044,909	(26,444,944) *	7,599,965

* Shares transferred to Can Cycle Sdn. Bhd. prior to the listing of Tex Cycle on the MESDAQ Market of Bursa Malaysia Securities Berhad.

Ho Siew Choong, Periasamy A/L Sinakalai, Ho Siew Cheong and Ho Siew Weng by virtue of their interest in shares in the holding company are also deemed interested in shares of the Company and all the Company's subsidiaries to the extent the holding company has an interest.

Lt. Gen. (R) Dato' Jaffar Bin Mohamed, Yusseri Bin Said, Ho Siew Cheong, Ho Siew Choong, Ho Siew Weng and Periasamy A/L Sinakalai by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in the office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its:

- (a) authorised share capital from RM100,000 to RM20,000,000 through creation of 199,000,000 ordinary shares of RM0.10 each;
- (b) issued and paid-up ordinary share capital from RM20 to RM17,079,300 by way of:
 - (i) issuance of 105,792,800 new ordinary shares of RM0.10 each for acquisition of subsidiaries;
 - (ii) issuance of 20,000,000 new ordinary shares of RM0.10 each for acquisition of land; and
 - (iii) public issue of 45,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.22 per ordinary share.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets and liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

During the previous financial period, the Company ("Tex Cycle") applied to list its entire enlarged issued and paid-up share capital on Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") of Bursa Malaysia Securities Berhad, which involves the following acquisitions and proposals:

- (i) Acquisition of the entire equity interest in Metro Koats Technology Sdn. Bhd. ("MKT") comprising 1,000,000 MKT shares for a purchase consideration of RM1,434,710 fully satisfied via issuance of 14,347,100 new Tex Cycle shares at par.

The acquisition of MKT was completed on 14 January 2005.

- (ii) Acquisition of the entire equity interest in Tex Cycle Sdn. Bhd. ("TCSB") comprising 500,000 TCSB shares for a purchase consideration of RM9,144,570 fully satisfied via issuance of 91,445,700 new Tex Cycle shares at par.

The acquisition of TCSB was completed on 14 January 2005.

- (iii) Acquisition by Metro Envy Sdn. Bhd. ("Metro Envy") of a leasehold industrial land in the parcel known as Lot 35604, Mukim and District of Kuala Lumpur, from Metro-Engravers Sdn. Bhd. ("Metro-Engravers"), for a purchase consideration of RM5,500,000 satisfied partly via the issuance of 20,000,000 new Tex Cycle shares at par to persons nominated by Metro-Engravers on 14 January 2005 while the balance is to be satisfied by a cash payment of RM3,500,000 payable to Metro-Engravers.

All the conditions precedent as set out in the Sales and Purchase Agreement have been fulfilled on 14 January 2005.

- (iv) Proposed public issue of 45,000,000 new ordinary shares of RM0.10 each in Tex Cycle at an indicative issue price of RM0.22 each; and
 (v) Proposed listing and quotation of Tex Cycle's entire enlarged issued and paid-up share capital of RM17,079,300 comprising 170,793,000 ordinary shares of RM0.10 each on the MESDAQ Market.

(i), (ii), (iii), (iv) and (v) are collectively referred to as "Proposed Listing Scheme".

The Proposed Listing Scheme was completed on 27 July 2005.

Signed on behalf of the Board in accordance with a resolution of the directors



Periasamy A/L Sinakalai
 Kuala Lumpur, Malaysia
 24 April 2006



Ho Siew Choong

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965



We, Periasamy A/L Sinakalai and Ho Siew Choong, being two of the directors of Tex Cycle Technology (M) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 53 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to be "Periasamy A/L Sinakalai".

Periasamy A/L Sinakalai

*Kuala Lumpur, Malaysia
24 April 2006*

A handwritten signature in black ink, appearing to be "Ho Siew Choong".

Ho Siew Choong

I, Neoh Wan Ching, being the officer primarily responsible for the financial management of Tex Cycle Technology (M) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 53 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Neoh Wan Ching at Kuala Lumpur in the Federal Territory on 24 April 2006



Neoh Wan Ching

Before me,

Soh Ah Kau (No. W315)
 Commissioner of Oaths
Kuala Lumpur, Malaysia

REPORT OF THE AUDITORS

To the members of *Tex Cycle Technology (M) Berhad (642619-P)*



We have audited the financial statements set out on pages 33 to 53. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in the form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Tan Soo Yan
No. 1307/03/08 (J/PH)
Partner

Kuala Lumpur, Malaysia
24 April 2006

	Note	GROUP		COMPANY	
		1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Revenue	3	10,806,095	-	1,580,000	-
Cost of sales	3	(3,316,334)	-	-	-
Gross profit		7,489,761	-	1,580,000	-
Other operating income		260,643	-	28,309	-
Distribution and selling expenses		(458,275)	-	-	-
Administrative expenses		(2,093,714)	-	(61,366)	-
Other operating expenses		(807,972)	(489,911)	-	(487,236)
Profit/(loss) from operations	4	4,390,443	(489,911)	1,546,943	(487,236)
Finance costs, net	7	(56,475)	-	-	-
Profit/(loss) before taxation		4,333,968	(489,911)	1,546,943	(487,236)
Taxation	8	(1,252,582)	-	(442,400)	-
Net profit/(loss) for the year/period		3,081,386	(489,911)	1,104,543	(487,236)
Earnings/(loss) per share (sen)					
Basic	9	2.19	(302,414)		
Diluted	9	2.19	(302,414)		

BALANCE SHEETS

As at 31 December 2005



	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	15,480,035	-	-	-
Investments in subsidiaries	12	-	-	10,579,282	2
Goodwill on consolidation	13	583,937	-	-	-
		16,063,972	-	10,579,282	2
CURRENT ASSETS					
Inventories	14	378,499	-	-	-
Trade receivables	15	3,181,222	-	-	-
Other receivables	16	122,615	20	8,496,091	20
Tax recoverable		178,321	-	-	-
Deposits, cash and bank balances	17	6,278,859	-	3,167,751	-
		10,139,516	20	11,663,842	20
CURRENT LIABILITIES					
Borrowings	18	178,564	-	-	-
Trade payables	20	106,973	-	-	-
Other payables	21	847,435	489,911	25,000	487,238
		1,132,972	489,911	25,000	487,238
NET CURRENT ASSETS/(LIABILITIES)					
		9,006,544	(489,891)	11,638,842	(487,218)
		25,070,516	(489,891)	22,218,124	(487,216)
REPRESENTED BY:					
Share capital	22	17,079,300	20	17,079,300	20
Share premium		4,521,517	-	4,521,517	-
Reserve on consolidation	23	596,006	-	-	-
Retained profits/(Accumulated losses)	24	2,591,475	(489,911)	617,307	(487,236)
Shareholders' equity		24,788,298	(489,891)	22,218,124	(487,216)
Borrowings	18	34,926	-	-	-
Deferred tax liabilities	25	247,292	-	-	-
Non-current liabilities		282,218	-	-	-
		25,070,516	(489,891)	22,218,124	(487,216)

The accompanying notes form an integral part of the financial statements.

	Share Capital RM	Non-Distributable Share Premium RM	Non-Distributable Reserve on Consolidation RM	Distributable (Accumulated Losses)/ Retained Profits RM	Total RM
At date of incorporation	- *	-	-	-	- *
Issue of ordinary shares	20 #	-	-	-	20 #
Net loss for the period	-	-	-	(489,911)	(489,911)
At 31 December 2004	20	-	-	(489,911)	(489,891)
At 1 January 2005	20	-	-	(489,911)	(489,891)
Arising from the acquisition of a subsidiary	-	-	589,545	-	589,545
Issue of ordinary shares					
- Acquisition of subsidiaries	10,579,280	-	-	-	10,579,280
- Acquisition of land	2,000,000	-	-	-	2,000,000
- Public issue	4,500,000	5,400,000	-	-	9,900,000
Listing expenses	-	(878,483)	-	-	(878,483)
Fair value adjustment	-	-	6,461	-	6,461
Net profit for the year	-	-	-	3,081,386	3,081,386
At 31 December 2005	17,079,300	4,521,517	596,006	2,591,475	24,788,298

* RM0.20

RM19.80

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005



	Share Capital RM	Non-Distributable Share Premium RM	Distributable (Accumulated Losses)/ Retained Profits RM	Total RM
At date of incorporation	- *	-	-	- *
Issue of ordinary shares	20 #	-	-	20 #
Net loss for the period	-	-	(487,236)	(487,236)
At 31 December 2004	20	-	(487,236)	(487,216)
At 1 January 2005	20	-	(487,236)	(487,216)
Issue of ordinary shares				
- Acquisition of subsidiaries	10,579,280	-	-	10,579,280
- Acquisition of land	2,000,000	-	-	2,000,000
- Public issue	4,500,000	5,400,000	-	9,900,000
Listing expenses	-	(878,483)	-	(878,483)
Net profit for the year	-	-	1,104,543	1,104,543
At 31 December 2005	17,079,300	4,521,517	617,307	22,218,124

* RM0.20

RM19.80

The accompanying notes form an integral part of the financial statements.

	GROUP		COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	4,333,968	(489,911)	1,546,943	(487,236)
Adjustments for:				
Bad debts written off	16,619	-	-	-
Bad debts recovered	(434)	-	-	-
Depreciation of property, plant and equipment	771,643	-	-	-
Gain on disposal of property, plant and equipment	(11,500)	-	-	-
Dividend income	-	-	(1,580,000)	-
Interest expense	87,674	-	-	-
Interest income	(31,199)	-	-	-
Operating profit/(loss) before working capital changes	5,166,771	(489,911)	(33,057)	(487,236)
Increase in inventories	(156,134)	-	-	-
Increase in receivables	(684,762)	(20)	(980)	(20)
(Decrease)/increase in payables	(349,463)	489,911	(462,236)	487,236
Changes in amount due from subsidiaries	-	-	(5,357,493)	2
Cash generated from/(used in) operations	3,976,412	(20)	(5,853,766)	(18)
Interest paid	(87,674)	-	-	-
Taxes paid	(1,273,883)	-	-	-
Net cash generated from/(used in) operating activities	2,614,855	(20)	(5,853,766)	(18)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries	1,025,482	-	-	(2)
Purchase of property, plant and equipment	(4,879,334)	-	-	-
Proceeds from disposal of property, plant and equipment	11,500	-	-	-
Interest received	31,199	-	-	-
Net cash used in investing activities	(3,811,153)	-	-	(2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of listing expenses	(878,483)	-	(878,483)	-
Proceeds from issuance of ordinary shares	9,900,000	20 #	9,900,000	20 #
Repayment of term loan	(1,320,089)	-	-	-
Repayment of hire purchase and lease financing	(226,271)	-	-	-
Net cash generated from financing activities	7,475,157	20 #	9,021,517	20 #
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,278,859	- ^	3,167,751	- ^
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	- *	-	- *
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	6,278,859	-	3,167,751	-

* RM0.20

^ (RM0.20)

RM19.80

1. Corporate Information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are recovery and recycling of can and scheduled waste, manufacturing and marketing of chemical products. The intended activity of a subsidiary is the rental of storage space to its fellow subsidiary. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan.

The holding company of the Company is Can Cycle Sdn. Bhd., a company incorporated in Malaysia.

The number of employees in the Group at the end of the financial year were 75 (2004: Nil). The Company did not have any employees at the end of the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2006.

2. Significant Accounting Policies**(a) Basis of Preparation**

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of the investments, the difference between net disposal proceeds and their carrying amount is recognised in the income statement.

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

Freehold land is not depreciated. Leasehold land and factories are depreciated over the period of the respective leases which range from 61 years to 99 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold buildings	2%
Office equipment and furniture and fittings	10% - 20%
Motor vehicles	20%
Computers	20% - 40%
Factory equipment and electrical installation	10% - 20%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase plus the cost of bringing the inventories to the present location. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand, cash at bank and deposits, which have an insignificant risk of changes in value.

(h) Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represents the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(i) Provision for Liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure to be required to settle the obligation.

(j) Income Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or reserve.

(k) Employee Benefits**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, the Group makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(ii) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(iii) Rental income

Rental income is recognised on an accrual basis.

(iv) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on assets.

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distribution to holders of financial instruments classified as equity are charged directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the assets and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at balance sheet date.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. Revenue and Cost of Sales

	GROUP		COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Revenue from services	7,122,086	-	-	-
Sales of goods	1,192,699	-	-	-
Rental income	2,491,310	-	-	-
Gross dividends from subsidiaries	-	-	1,580,000	-
	10,806,095	-	1,580,000	-

Cost of sales represents the cost of goods sold, services provided and cost of operations.

4. Profit/(Loss) from Operations

Profit/(loss) from operations is stated after charging/(crediting):

	GROUP		COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Pre-operating expenses	-	487,911	-	487,236
Staff costs (Note 5)	1,800,752	-	-	-
Non-executive directors' remuneration (Note 6)	12,000	-	12,000	-
Auditors' remuneration:				
Statutory audits	40,000	2,000	20,000	-
Underprovision in prior year	5,800	-	3,800	-
Other services	5,000	-	5,000	-
Bad debts written off	16,619	-	-	-
Depreciation of property, plant and equipment	771,643	-	-	-
Rental fo premises	4,950	-	-	-
Realised foreign exchange loss	184	-	-	-
Bad debts recovered	(434)	-	-	-
Rental income *	(220,400)	-	-	-
Interest income	(28,309)	-	(28,309)	-
Gain on disposal of property, plant and equipment	(11,500)	-	-	-

* There were existing tenants when Metro Envy Sdn. Bhd., a subsidiary, acquired a leasehold industrial land and building during the financial year. The tenancies to these third parties will be terminated on expiry of the respective tenancies. Accordingly, rental income from these existing tenancies is classified as other operating income as it does not form part of the principal activity of the subsidiary.

5. Staff Costs

	GROUP	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Wages and salaries	1,646,369	-
Social security costs	16,437	-
Pension costs-defined contribution plan	137,946	-
	1,800,752	-

Included in staff costs of the Group are executive directors' remuneration, excluding allowance and fees, amounting to RM347,950 (2004: RMNil) as further disclosed in Note 6.

6. Director Remuneration

	GROUP		COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	270,000	-	-	-
Allowance	104,840	-	-	-
Fees	72,000	-	-	-
Bonus	45,000	-	-	-
Social security costs	550	-	-	-
Pension costs-defined contribution plans	32,400	-	-	-
	524,790	-	-	-
Non-Executive:				
Allowance	12,000	-	12,000	-
	536,790	-	12,000	-
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	524,790	-	-	-
Total non-executive directors' remuneration excluding benefits-in-kind (Note 4)	12,000	-	12,000	-
Total directors' remuneration excluding benefits-in-kind	536,790	-	12,000	-

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2005	2004
Executive directors:		
RM150,000 - RM200,000	1	-
RM50,000 - RM100,000	4	-
Nil - RM50,000	1	-
Non-Executive directors:		
Nil - RM50,000	2	-

7. Finance Costs, Net

	GROUP	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Interest expense	87,674	-
Interest income	(31,199)	-
	56,475	-

8. Taxation

	GROUP		COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Income tax				
Malaysian income tax	1,102,443	-	-	-
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	150,139	-	442,400	-
	1,252,582	-	442,400	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	GROUP		COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Profit/(loss) before taxation	4,333,968	(489,911)	1,546,943	(487,236)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	1,213,511	(137,175)	433,144	(136,426)
Effect of different tax rate for small and medium scale companies of 20% for the first chargeable income of RM500,000 (2004: RM500,000)	(67,811)	-	-	-
Effect of expenses not deductible for tax purposes	106,882	137,175	9,256	136,426
Tax expense for the year/period	1,252,582	-	442,400	-

9. Earnings/(Loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year/period by the weighted average number of ordinary shares in issue during the financial year/period.

	GROUP	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Net profit/(loss) for the year/period (RM)	3,081,386	(489,911)
Weighted average number of ordinary shares in issue	140,792,161	162
Basic earnings/(loss) per share (sen)	2.19	(302,414)

The group has no potential ordinary shares in issue as at balance sheet date and therefore, the basic and diluted earnings/(loss) per share are the same.

10. Dividends

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005, of 5% less 28% taxation on 170,793,000 ordinary shares, amounting to a total dividend payable of RM614,855 (0.36 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2006.

11. Property, Plant and Equipment

	Leasehold/ freehold land and factories RM	Office equipment and furniture and fittings RM	Factory equipment and electrical installation RM	Motor vehicles RM	Computers RM	Total RM
Group						
Cost						
At 1 January 2005	-	-	-	-	-	-
Acquisition of subsidiaries	6,429,666	235,987	1,956,585	598,466	24,640	9,245,344
Additions	5,672,225	20,382	731,829	570,786	11,112	7,006,334
Disposals	-	-	-	(77,000)	-	(77,000)
Reclassification	-	(3,100)	-	-	3,100	-
At 31 December 2005	12,101,891	253,269	2,688,414	1,092,252	38,852	16,174,678
Accumulated Depreciation						
At 1 January 2005	-	-	-	-	-	-
Charge of the year	168,420	41,568	323,816	220,513	17,326	771,643
Disposals	-	-	-	(77,000)	-	(77,000)
Reclassification	-	(103)	-	-	103	-
At 31 December 2005	168,420	41,465	323,816	143,513	17,429	694,643
Net Book Value						
At 31 December 2005	11,933,471	211,804	2,364,598	948,739	21,423	15,480,035
At 31 December 2004	-	-	-	-	-	-
Depreciation charge for 2004	-	-	-	-	-	-

During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM7,006,334 of which RM127,000 were acquired by means of finance lease arrangement and RM2,000,000 was settled by issuance of shares as disclosed in Note 22.

Included in property, plant and equipment of the Group are motor vehicles with net book values of RM519,714 held under hire purchase and finance lease arrangements.

The land title to certain freehold land and buildings of the Group with an aggregate net book value of RM1,550,703 (2004: Nil) has not been discharged by the bank, whilst the land title of the leasehold land and building with an aggregate net book value of RM4,826,608 has been submitted to the land office for the discharge procedure.

12. Investments in Subsidiaries

	COMPANY	
	2005 RM	2004 RM
Unquoted shares at cost	10,579,282	2

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
Tex Cycle Sdn. Bhd.	Malaysia	100	-	Recovery and recycling of can and scheduled waste
Metro Koats Technology Sdn. Bhd.	Malaysia	100	-	Manufacturing and marketing of chemical products
Metro Envy Sdn. Bhd.	Malaysia	100	100	Intended activity is the rental of storage space to its fellow subsidiary

Acquisition of Subsidiaries
(a) Completed in 2005

On 14 January 2005, the Group acquired 100% equity interest in Tex Cycle Sdn. Bhd. and Metro Koats Technology Sdn. Bhd., companies incorporated in Malaysia, for a total purchase consideration of RM10,579,280 via the issue of 105,792,800 new ordinary shares of RM0.10 each of the Company.

(b) Completed in 2004

On 12 March 2004, the Group acquired 100% equity interest in Metro Envy Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2.

The acquisitions had the following effect on the Group's financial results for the year/period:

	GROUP	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Revenue	10,806,095	-
Profit from operations	4,335,945	-
Net profit/(loss) for the year/period	3,111,441	(2,675)

The acquisition had the following effect on the financial position of the Group as at the end of the year/period:

	2005 RM	2004 RM
Property, plant and equipment	9,923,875	-
Inventories	378,499	-
Trade receivables	3,181,222	-
Other receivables	114,857	-
Tax recoverable	186,764	-
Deposits, cash and bank balances	3,035,514	-
Borrowings	(213,490)	-
Trade payables	(106,973)	-
Other payables	(655,095)	(2,675)
Deferred tax liabilities	(247,292)	-
Group share's of net assets	15,597,881	(2,675)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	14.1.2005 RM	12.3.2004 RM
Property, plant and equipment	9,245,344	-
Inventories	222,365	-
Trade receivables	2,019,838	-
Other receivables	615,402	2
Tax recoverable	6,081	-
Deposits, cash and bank balances	1,025,482	-
Borrowings	(1,632,850)	-
Trade payables	(94,516)	-
Other payables	(719,444)	-
Tax payable	(21,860)	-
Deferred tax liabilities	(118,601)	-
Group share's of net assets	10,547,241	2
Goodwill on acquisition *	621,584	-
Reserve on consolidation *	(589,545)	-
Purchase consideration	10,579,280	2
Net cash flow from acquisition of subsidiaries	1,025,482	-

* During the financial year, fair value adjustment to goodwill were made in relation to overprovision of tax payable of RM25,023 and deferred tax liabilities of RM12,624 and fair value adjustment to reserve on consolidation were made in relation to underprovision of tax payable of RM2,363 netted off with overprovision of deferred tax liabilities of RM8,824.

13. Goodwill on Consolidation

	GROUP	
	2005 RM	2004 RM
At 1 January	-	-
Acquisition of subsidiary	621,584	-
Fair value adjustment	(37,647)	-
At 31 December	583,937	-

14. Inventories

	GROUP	
	2005 RM	2004 RM
At cost:		
Raw materials	212,171	-
Work-in-progress	9,253	-
Finished goods	157,075	-
	378,499	-

15. Trade Receivables

	GROUP	
	2005 RM	2004 RM
Trade receivables	3,261,342	-
Less: Provision for doubtful debts	(80,120)	-
	3,181,222	-

The Group's normal trade credit term ranges from 30 to 90 days.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

16. Other Receivables

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Amount due from shareholders	-	20	-	20
Amount due from subsidiaries	-	-	8,495,091	-
Sundry receivables	10,902	-	-	-
Deposits	104,955	-	1,000	-
Prepayments	6,758	-	-	-
	122,615	20	8,496,091	20

The amounts due from shareholders and subsidiaries are unsecured, interest-free and has no fixed term of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

17. Cash and Cash Equivalents

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	697,933	-	34,241	-
Deposits with:				
Unit trust management company	5,452,045	-	3,133,510	-
Licensed bank	128,881	-	-	-
Cash and cash equivalents	6,278,859	-	3,167,751	-

Deposits with a licensed bank of the Group amounting to RM128,881 are pledged as security for bank guarantees amounting to RM74,244.

The average effective interest rates of deposits at the balance sheet date were as follows:

	GROUP	
	2005 %	2004 %
Unit trust management company	2.65	-
Licensed bank	3.00	-

The average maturity period of deposits as at the end of the financial year were as follows:

	GROUP	
	2005 Days	2004 Days
Unit trust management company	1	-
Licensed bank	142	-

18. Borrowings

	GROUP	
	2005 RM	2004 RM
Short Term Borrowings		
Unsecured:		
Hire purchase and finance lease payables (Note 19)	178,564	-
	178,564	-
Long Term Borrowings		
Unsecured:		
Hire purchase and finance lease payables (Note 19)	34,926	-
	34,926	-
Total Borrowings		
Hire purchase and finance lease payables (Note 19)	213,490	-
	213,490	-

19. Hire Purchase and Finance Lease Payables

	GROUP	
	2005 RM	2004 RM
Minimum lease payments:		
Not later than 1 year	188,821	-
Later than 1 year and not later than 2 years	35,434	-
	224,255	-
Less: Future finance charges	(10,765)	-
Present value of finance lease liabilities	213,490	-
Present value of finance lease liabilities:		
Not later than 1 year	178,564	-
Later than 1 year and not later than 2 years	34,926	-
	213,490	-
Analysed as:		
Due within 12 months (Note 18)	178,564	-
Due after 12 months (Note 18)	34,926	-
	213,490	-

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 3.3% to 6.5% per annum.

20. Trade Payables

	GROUP	
	2005 RM	2004 RM
Trade payables	106,973	-

The normal trade credit terms granted to the Group ranges from 30 to 90 days.

21. Other Payables

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Amount due to subsidiary	-	-	-	2
Sundry payables	487,072	489,911	25,000	487,236
Accruals	72,088	-	-	-
Amounts due to directors	288,275	-	-	-
	847,435	489,911	25,000	487,238

The amounts due to subsidiary and directors are unsecured, interest-free and have no fixed terms of repayment.

22. Share Capital

	Number of Ordinary Shares of RM0.10 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised:				
At 1 January/At date of incorporation	1,000,000	1,000,000	100,000	100,000
Created during the year/period	199,000,000	-	19,900,000	-
At 31 December	200,000,000	1,000,000	20,000,000	100,000
Issued and fully paid:				
At 1 January/At date of incorporation	200	2	20	- *
Issued during the year/period				
Acquisition of subsidiaries	105,792,800	-	10,579,280	-
Acquisition of land	20,000,000	-	2,000,000	-
Issued for cash	45,000,000	198	4,500,000	20 #
At 31 December	170,793,000	200	17,079,300	20

* RM0.20

RM19.80

(a) Ordinary shares issued for acquisition of subsidiaries

During the financial year, the Company issued 105,792,800 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary share amounting to RM10,579,280 as purchase consideration for the acquisition of Tex Cycle Sdn. Bhd. and Metro Koats Technology Sdn. Bhd. (Note12). The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Ordinary shares issued for acquisition of leasehold land and building

During the financial year, the Company issued 20,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary share amounting to RM2,000,000 as partial discharge of purchase consideration for the acquisition of leasehold land and building on behalf of a subsidiary, Metro Envy Sdn. Bhd. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(c) Ordinary shares issued for cash

During the financial year, the Company issued 45,000,000 new ordinary shares of RM0.10 each through a public issue at an issue price of RM0.22 per ordinary share for cash, for additional working capital purposes. The share premium arising, after deducting the share issue costs of RM878,483 amounted to RM4,521,517 and this has been credited to the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

23. Reserve on Consolidation

	GROUP	
	2005 RM	2004 RM
At 1 January	-	-
Acquisition of subsidiary	589,545	-
Fair value adjustment	6,461	-
At 31 December	596,006	-

24. Retained Profits

As at 31 December 2005, the Company does not have sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank dividend. If the retained profits of RM617,307 were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM240,000.

25. Deferred Tax Liabilities

	GROUP	
	2005 RM	2004 RM
At 1 January	-	-
Acquisition of subsidiaries	118,601	-
Adjustment to goodwill/reserve on consolidation	(21,448)	-
Recognised in income statement (Note 8)	150,139	-
At 31 December	247,292	-

The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM
At 1 January 2005	-
Acquisition of subsidiaries	139,082
Adjustment to goodwill/reserve on consolidation	(21,448)
Recognised in income statement	167,495
At 31 December 2005	285,129

Deferred Tax Assets of the Group:

	Others RM
At 1 January 2005	-
Acquisition of subsidiaries	(20,481)
Recognised in income statement	(17,356)
At 31 December 2005	(37,837)

26. Significant Events

During the previous financial period, the Company ("Tex Cycle") applied to list its entire enlarged issued and paid-up share capital on Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") of Bursa Malaysia Securities Berhad, which involves the following acquisitions and proposals:

- (i) Acquisition of the entire equity interest in Metro Koats Technology Sdn. Bhd. ("MKT") comprising 1,000,000 MKT shares for a purchase consideration of RM1,434,710 fully satisfied via issuance of 14,347,100 new Tex Cycle shares at par.

The acquisition of MKT was completed on 14 January 2005.

- (ii) Acquisition of the entire equity interest in Tex Cycle Sdn. Bhd. ("TCSB") comprising 500,000 TCSB shares for a purchase consideration of RM9,144,570 fully satisfied via issuance of 91,445,700 new Tex Cycle shares at par.

The acquisition of TCSB was completed on 14 January 2005.

(iii) Acquisition by Metro Envy Sdn. Bhd. ("Metro Envy") of a leasehold industrial land in the parcel known as Lot 35604, Mukim and District of Kuala Lumpur, from Metro-Engravers Sdn. Bhd. ("Metro-Engravers"), for a purchase consideration of RM5,500,000 satisfied partly via the issuance of 20,000,000 new Tex Cycle shares at par to persons nominated by Metro-Engravers on 14 January 2005 while the balance is to be satisfied by a cash payment of RM3,500,000 payable to Metro-Engravers.

All the conditions precedent as set out in the Sales and Purchase Agreement have been fulfilled on 14 January 2005.

(iv) Proposed public issue of 45,000,000 new ordinary shares of RM0.10 each in Tex Cycle at an indicative issue price of RM0.22 each; and

(v) Proposed listing and quotation of Tex Cycle's entire enlarged issued and paid-up share capital of RM17,079,300 comprising 170,793,000 ordinary shares of RM0.10 each on the MESDAQ Market.

(i), (ii), (iii), (iv) and (v) are collectively referred to as "Proposed Listing Scheme".

The Proposed Listing Scheme was completed on 27 July 2005.

27. Capital Commitments

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Approved and contracted for:				
Acquisition of:				
(i) Metro Koats Technology Sdn. Bhd.	-	1,434,710	-	1,434,710
(ii) Tex Cycle Sdn. Bhd.	-	9,144,570	-	9,144,570
(iii) Leasehold industrial land	-	5,500,000	-	-
Property, plant and equipment	72,924	-	-	-
	72,924	16,079,280	-	10,579,280

28. Significant Related Party Transactions

	COMPANY	
	1.1.2005 to 31.12.2005 RM	17.2.2004 to 31.12.2004 RM
Advances to subsidiaries as follows:		
-Metro Envy Sdn. Bhd. ("Metro Envy") in relation to acquisition of land by Metro Envy	5,500,000	-
-Tex Cycle Sdn. Bhd. ("TCSB") in relation to acquisition of plant and machineries by TCSB	688,574	-
-Repayment of term loan on behalf of:		
-Tex Cycle Sdn. Bhd.	926,606	-
-Metro Koats Technology Sdn. Bhd.	312,702	-

29. Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's policy is to borrow principally on a floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(c) Liquidity Risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approval and monitoring procedures. The carrying amount of each financial asset represents the Group's maximum exposure to credit risk at the balance sheet date.

The credit risk of a subsidiary is concentrated on a single customer, i.e. a defence industry customer. The subsidiary is dependent on the defence industry customer, being a major customer for the purchase of its chemical product and due to this dependency on the defence industry customer for revenue, any late or non-payment by the defence industry customer may have an adverse impact on the cash flows and/or profits of the Group.

(e) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values.

It is not practicable to estimate the fair value of the amount due from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

30. Segment Information

(a) Business Segments

The Group is organised into three major business segments:

(i) Investment holding

This segment refers to investment activities in unquoted securities held by the Group on a long term basis.

(ii) Recovery and recycling services

This segment refers to a subsidiary in the recovery and recycling industry.

(iii) Manufacturing

This segment refers to a subsidiary that is involved in manufacturing and marketing chemical products.

	Investment Holding RM	Recovery & Recycling Services RM	Manufacturing RM	Eliminations RM	Consolidated RM
31 December 2005					
Revenue					
External sales	-	9,613,396	1,192,699	-	10,806,095
Inter-segment sales	1,580,000	-	191,217	(1,771,217)	-
Total revenue	1,580,000	9,613,396	1,383,916	(1,771,217)	10,806,095
Results					
Segment results	54,497	4,163,402	172,544		4,390,443
Finance costs, net					(56,475)
Taxation					(1,252,582)
Net profit for the year					3,081,386
Assets					
Segment assets	8,807,263	14,486,465	2,731,439		26,025,167
Unallocated corporate assets					178,321
Consolidated total assets					26,203,488
Liabilities					
Segment liabilities	192,340	623,206	352,352		1,167,898
Unallocated corporate liabilities					247,292
Consolidated total liabilities					1,415,190
Other information					
Capital expenditure	5,659,000	1,271,784	75,550		7,006,334
Depreciation	102,840	596,021	72,782		771,643
31 December 2004					
Revenue					
External sales	-	-	-	-	-
Inter-segment sales	-	-	-	-	-
Total revenue	-	-	-	-	-
Results					
Segment results	(489,911)	-	-		(489,911)
Finance costs, net					-
Taxation					-
Net loss for the period					(489,911)
Assets					
Segment assets	20	-	-		20
Unallocated corporate assets					-
Consolidated total assets					20
Liabilities					
Segment liabilities	489,911	-	-		489,911
Unallocated corporate liabilities					-
Consolidated total liabilities					489,911
Other information					
Capital expenditure	-	-	-		-
Depreciation	-	-	-		-

(b) Geographical Segments

The Group operates solely in Malaysia.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

As at 24 April 2006



The interest of the Directors in the shares of the Company (both direct and indirect) as at 24 April 2006 are as follows:

Name of Directors	DIRECT		INDIRECT	
	No. of Shares	%	No. of Shares	%
Ho Siew Choong	7,818,803	4.58	87,104,559	*51.0
Periasamy A/L Sinakalai	7,599,965	4.45	87,104,559	*51.0
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	5,805,840	3.40	-	-
Yusseri Bin Said	4,350,130	2.55	-	-
Ho Siew Cheong	3,842,065	2.25	87,104,559	*51.0
Ho Siew Weng	2,087,597	1.22	87,104,559	*51.0
General (R) Dato' Seri Che Md Noor Bin Mat Arshad	-	-	-	-
Razali Bin Jantan	-	-	-	-

* Deemed interest by virtue of their interest in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965

SHARE CAPITAL

Authorised Share Capital	:	RM20,000,000.00
Issued and Fully Paid Share Capital	:	RM17,079,300.00
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
less than 100	2	0.53	100	0.00
100 - 999	28	7.41	4,671	0.00
1,000 - 4,999	129	34.12	252,100	0.14
5,000 - 10,000	105	27.78	804,700	0.47
10,001 - 100,000	74	19.58	3,036,300	1.78
100,001 - 1,000,000	23	6.08	7,387,300	4.33
Above 1,000,000	17	4.50	159,307,829	93.28
	378	100.00	170,793,000	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	DIRECT		INDIRECT	
	No. of Shares	%	No. of Shares	%
Can Cycle Sdn. Bhd.	87,104,559	51.0	-	-
Ho Siew Choong	7,818,803	4.58	87,104,559	*51.0
Periasamy A/L Sinakalai	7,599,965	4.45	87,104,559	*51.0
Ho Siew Cheong	3,842,065	2.25	87,104,559	*51.0
Ho Siew Weng	2,087,597	1.22	87,104,559	*51.0
Ho Siew Kee	1,837,670	1.08	87,104,559	*51.0

* Deemed interest by virtue of their interest in Can Cycle Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965

LIST OF TWENTY (20) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	CAN CYCLE SDN. BHD.	87,104,559	51.00
2.	HO SIEW CHOONG	7,818,803	4.58
3.	PERIASAMY A/L SINAKALAI	7,599,965	4.45
4.	LEE YUEN KONG	7,231,400	4.23
5.	FREADY A/L JOSEPH	6,720,900	3.94
6.	CHEONG KOK CHOY	6,310,300	3.69
7.	ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR JAAFAR BIN MOHAMED	5,805,840	3.40
8.	SOONG IK LIN	5,800,000	3.40
9.	CHEONG YOKE SIM	5,674,000	3.32
10.	YUSSERI BIN SAID	4,350,130	2.55
11.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HO SIEW CHEONG	3,546,065	2.08
12.	HO MAH LEE @ HO CHWEE KENG	3,301,000	1.93
13.	LIM HOCK MING	1,838,100	1.08
14.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HO SIEW KEE	1,837,670	1.08
15.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HO SIEW WENG	1,791,597	1.05
16.	AFFIN NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN MENG LENG	1,457,500	0.85
17.	SEE KIEN LEONG	1,120,000	0.66
18.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TOH MAY FOOK	1,000,000	0.59
19.	CITIGROUP NOMINEES (ASING) SDN. BHD. GSCD FOR WEXFORD SPECTRUM INVESTORS LLC	780,500	0.46
20.	WOO WIN KONG	599,000	0.35
TOTAL		161,687,329	94.69

TCSB

Location	No. 8, Jalan TPK 2/3, Taman Perindustrian Kinrara, 47100 Puchong, Selangor (PT 24401, HSM 23155, Mukim and District of Petaling, Selangor)
Description / Existing Use	Double storey factory, where the upper level is used as office space / TCSB's headquarters and recycling facility
Land Area (Square Metres)	2,108.29
Built-up Area (Square Metres)	1,100
Approximate Age of Building	9 years
Tenure	99 years leasehold up to 18 January 2093
Net Book Value @ 31 December 2005 (RM)	2,196,433
Location	No. 7, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, Selangor (PT 24405, HSM 23159, Mukim and District of Petaling, Selangor)
Description / Existing Use	Double storey fully enclosed factory / Recycling and storage facility
Land Area (Square Metres)	1,980.34
Built-up Area (Square Metres)	1,980.34
Approximate Age of Building	9 years
Tenure	99 years leasehold up to 18 January 2093
Net Book Value @ 31 December 2005 (RM)	2,630,175

MKT

Location	No. 13, Jalan BP 4/1, Pusat Perindustrian Bukit Puchong, Bandar Bukit Puchong, 47100 Puchong, Selangor (PT 43325, HSD 128758, Mukim and District of Petaling, Selangor)
Description / Existing Use	Single storey factory with a double storey office building / MKT's headquarters, manufacturing and storage facility
Land Area (Square Metres)	2033
Built-up Area (Square Metres)	550
Approximate Age of Building	1 year
Tenure	Freehold
Net Book Value @ 31 December 2005 (RM)	1,550,703

METRO ENVY

Location	Lot 35604, Jalan Kuchai Lama, 58200 Kuala Lumpur (PN 1433, Lot 35604, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan)
Description / Existing Use	Triple storey factory cum office building / Rented to third party^
Land Area (Square Metres)	4822.7
Built-up Area (Square Metres)	3,668.65
Approximate Age of Building	9 years
Tenure	99 years leasehold up to 25 May 2065
Net Book Value @ 31 December 2005 (RM)	5,556,160

^ Rented for RM47,000 per month. Pursuant to the tenancy agreements, the tenants covenant at all times to keep the demised premises and the appurtenances thereof including the doors plate glass and other windows fixtures fastenings wires waste water drain and other pipes and sanitary and water apparatus therein in good and substantial repair and condition throughout the tenancy period (damage by fire and such other shall be irrecoverable in consequence of any act or default of the tenant their servants or agents only excepted) and to renew and replace from time to time all fixtures fittings and appurtenances in the demised premises and the aforesaid court which may become or be beyond repair at any time during or at the expiration be sooner determination of the tenancy period.

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of **TEX CYCLE TECHNOLOGY (M) BERHAD** (Company No.: 642619-P) will be held at **8.30 a.m.** on **Monday 19 June 2006** at the **Kinrara 1, Level 1, Kinrara Golf Club, Jalan Kinrara 6, Bandar Kinrara, 47100 Puchong, Selangor Darul Ehsan** for the following purposes:

ORDINARY BUSINESS:

- | | |
|---|----------------------|
| 1. To receive the Audited Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. | <i>Resolution 1</i> |
| 2. To declare a First and Final Dividend of 0.5 sen per share less 28% Income Tax in respect of the financial year ended 31 December 2005. | <i>Resolution 2</i> |
| 3. To approve the payment of Directors' fees for the year ended 31 December 2005. | <i>Resolution 3</i> |
| 4. To re-elect the following Directors retiring under Article 85 of the Articles of Association: | |
| a) Ho Siew Choong | <i>Resolution 4</i> |
| b) Ho Siew Cheong | <i>Resolution 5</i> |
| c) Ho Siew Weng | <i>Resolution 6</i> |
| d) General (R) Dato' Seri Che Md Noor Bin Mat Arshad | <i>Resolution 7</i> |
| e) Razali Bin Jantan | <i>Resolution 8</i> |
| f) Periasamy A/L Sinakalai | <i>Resolution 9</i> |
| g) Yusseri Bin Said | <i>Resolution 10</i> |
| 5. To re-elect Lt. Gen. (R) Dato' Jaffar Bin Mohamed, the Director who is retiring under Section 129(2) of the Companies Act, 1965. | <i>Resolution 11</i> |
| 6. To appoint Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. | <i>Resolution 12</i> |

Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs Deloitte & Touche, for appointment as Auditors and of the intention to propose the following Ordinary Resolution:

"**THAT** subject to the receipt of Messrs Deloitte & Touche's letter of consent to act pursuant to Section 9(6) of the Companies Act, 1965, Messrs Deloitte & Touche be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors."

SPECIAL BUSINESS:

- | | |
|--|----------------------|
| 7. To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution: | <i>Resolution 13</i> |
|--|----------------------|

Ordinary Resolution

◆ **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

THAT subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being.

ANY OTHER BUSINESS:

- | | |
|--|----------------------|
| 8. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965. | <i>Resolution 14</i> |
|--|----------------------|

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 0.5 sen per share less 28% Income Tax in respect of the financial year ended 31 December 2005 will be payable on 26 July 2006 to Depositors registered in the Record of Depositors at the close of business on 11 July 2006.

A Depositor shall qualify for entitlement only in respect of:

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 11 July 2006 in respect of ordinary transfers; and
- b. Share bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0008343)
WONG YOUN KIM (MAICSA 7018778)
Company Secretaries

Petaling Jaya
26 May 2006

Notes:

1. *A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.*
4. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or executed must be deposited at the Company Secretary's Office at Strategy Corporate Secretariat Sdn. Bhd., Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
5. ***Explanatory Notes on Special Business***

Resolution pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution proposed under item 7, if passed will give the Directors of the Company from the date of the above Meeting, authority to allot and issue ordinary shares for the unissued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for election or re-election at the Second Annual General Meeting of the Company:

- i. Ho Siew Choong
- ii. Ho Siew Cheong
- iii. Ho Siew Weng
- iv. General (R) Dato' Seri Che Md Noor Bin Mat Arshad
- v. Razali Bin Jantan
- vi. Periasamy A/L Sinakalai
- vii. Yusseri Bin Said
- viii. Lt. Gen. (R) Dato' Jaffar Bin Mohamed

The profile of the Directors who are standing for re-election are set out on pages 6 to 7 of this Annual Report.

2. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2005.

Board of Directors	Attendance
General (R) Dato' Seri Che Md Noor Bin Mat Arshad	2 out of 2
Ho Siew Choong	2 out of 2
Ho Siew Cheong	2 out of 2
Ho Siew Weng	2 out of 2
Razali Bin Jantan	2 out of 2
Periasamy A/L Sinakalai	2 out of 2
Yusseri Bin Said	2 out of 2
Lt. Gen. (R) Dato' Jaffar Bin Mohamed	2 out of 2

3. Date of Board Meeting held during the financial year ended 31 December 2005.

Date	Time	Venue
22 July 2005	10.00 a.m.	No. 8, Jalan TPK 2/3, Taman Perindustrian Kinrara, 47100 Puchong, Selangor Darul Ehsan
22 November 2005	11.00 a.m.	No. 8, Jalan TPK 2/3, Taman Perindustrian Kinrara, 47100 Puchong, Selangor Darul Ehsan

4. Place, date and time of the Second Annual General Meeting.

Date	Time	Venue
19 June 2006	8.30 a.m.	Kinrara 1, Level 1, Kinrara Golf Club, Jalan Kinrara 6, Bandar Kinrara, 47100 Puchong, Selangor Darul Ehsan

**Can Cycle Sdn. Bhd. (591310-W)
No 8, Jalan TPK 2/3
Taman Perindustrian Kinrara
47100 Puchong
Selangor Darul Ehsan**

Date: 19 April 2006

**The Board of Directors
TEX CYCLE TECHNOLOGY (M) BERHAD**
Unit 07-02, Level 7
Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

RE: NOTICE OF NOMINATION OF NEW AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, being the members of the Company, hereby give notice of our intention to nominate Messrs Deloitte & Touche for appointment as auditors of the Company and to replace the retiring auditors, Messrs Ernst & Young and to propose that the following ordinary resolution be tabled at the forthcoming Annual General Meeting of the Company:

"THAT subject to the receipt of Messrs Deloitte & Touche's letter of consent to act pursuant to Section 9(6) of the Companies Act, 1965, Messrs Deloitte & Touche be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors"

Yours faithfully
CAN CYCLE SDN. BHD.



PERIASAMY A/L SINAKALAI

Director



HO SIEW CHOONG

Director

Second Annual General Meeting

I/We, _____
of _____
being a member/members of **TEX CYCLE TECHNOLOGY (M) BERHAD** hereby appoint *the Chairman of the meeting
or _____
of _____
or failing whom _____
of _____
as my/our Proxy(ies) to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at **8.30 a.m.**
on **Monday 19 June 2006** at the **Kinrara 1, Level 1, Kinrara Golf Club, Jalan Kinrara 6, Bandar Kinrara, 47100 Puchong, Selangor
Darul Ehsan** and at any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below:

	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive the Audited Financial Statements for the year ended 31 December 2005 together with the Directors' and Auditors' Reports thereon.	<i>Ordinary Resolution 1</i>	
2.	To declare a First and Final Dividend of 0.5 sen per share less 28% Income Tax in respect of the financial year ended 31 December 2005.	<i>Ordinary Resolution 2</i>	
3.	To approve the payment of Directors' fees for the year ended 31 December 2005.	<i>Ordinary Resolution 3</i>	
4.	To re-elect the following Directors who are retiring in accordance with Article 85 of the Company's Articles of Association: a) Ho Siew Choong b) Ho Siew Cheong c) Ho Siew Weng d) General (R) Dato' Seri Che Md Noor Bin Mat Arshad e) Razali Bin Jantan f) Periasamy A/L Sinakalai g) Yusseri Bin Said	<i>Ordinary Resolution 4 Ordinary Resolution 5 Ordinary Resolution 6 Ordinary Resolution 7 Ordinary Resolution 8 Ordinary Resolution 9 Ordinary Resolution 10</i>	
5.	To re-elect Lt. Gen. (R) Dato' Jaffar Bin Mohamed, the Director who is retiring under Section 129(2) of the Companies Act, 1965.	<i>Ordinary Resolution 11</i>	
6.	To appoint Messrs Deloitte & Touche as new Auditors and to authorise the Board of Directors to fix their remuneration.	<i>Ordinary Resolution 12</i>	
	SPECIAL BUSINESS		
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	<i>Ordinary Resolution 13</i>	

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion]

Number of ordinary shares held:

Dated thisday of.....2006

.....
Signature/Common Seal of Shareholder(s)

[*Delete if not applicable]

Notes:

1. A member entitled to attend and vote at the Second Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company Secretary's Office at Strategy Corporate Secretariat Sdn. Bhd., Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Please fold here

STAMP

The Company Secretary

TEX CYCLE TECHNOLOGY (M) BERHAD (642619-P)

Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Please fold here



WE REDUCE . REUSE . RECOVER . RECYCLE

Tex Cycle Technology (M) Berhad

No. 8, Jalan TPK 2/3, Taman Perindustrian Kinrara,
47100 Puchong, Selangor Darul Ehsan.

Tel: 03 8076 3816/19/21/23 Fax: 03 8076 3817

e-mail: texcycle@po.jaring.my

www.texcycle.com.my