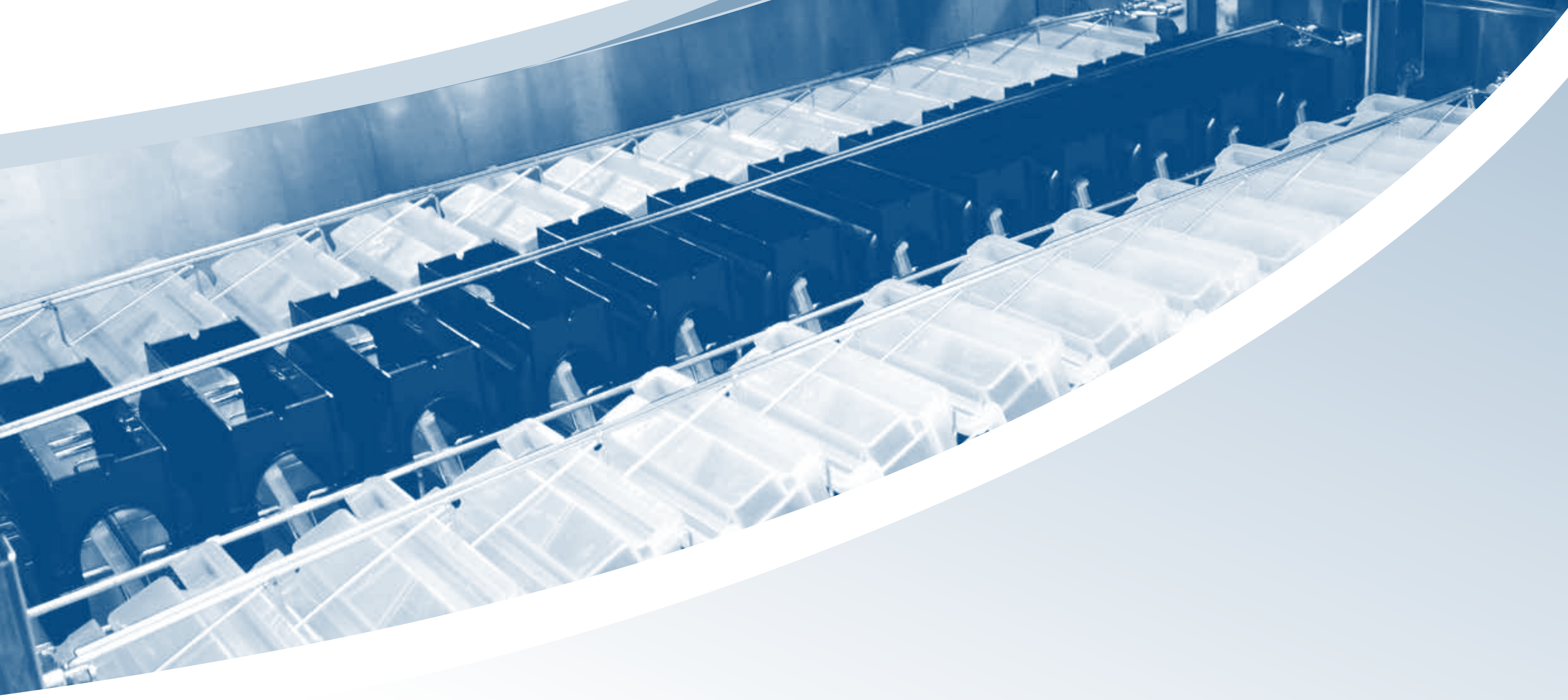
MClean

MClean Technologies Berhad

(893631 T)

Macro Solution Services

ANNUAL REPORT 2017



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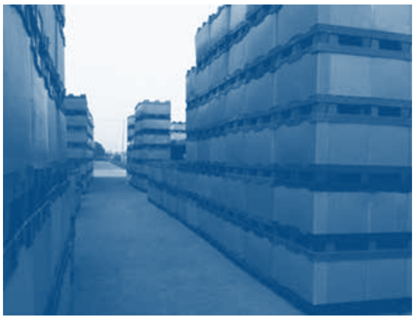
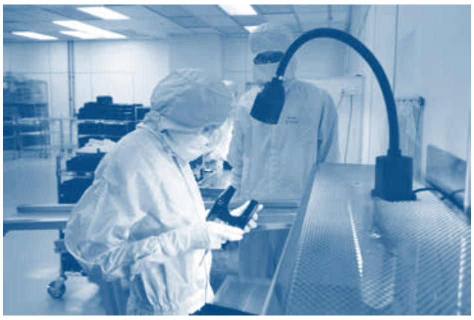
COMPANY PROFILE

MClean provides surface treatment, precision cleaning & packaging services for various industries ranging from the Hard Disk Drive, Consumer Electronics to the Oil & Gas industries. Our Group has an established track record of more than two decades operating in Malaysia, Singapore, Thailand and China.

VISION

Our group strives to be the choice service solution provider through continous innovation so as to deliver sustainable shareholder value to all stakeholders.





PRINCIPAL ACTIVITIES OF OUR GROUP

- Surface treatment services
    - Precision Cleaning in Cleanroom environment
    - Surface treatment & finishing of metal parts

- Cleanroom packaging, assembly & logistics services
    - Clean bulk packaging services
    - Cleanroom packaging services
    - Assembly services
    - E-Commerce & Logistics services

VALUE CREATION STRATEGIES

- Enhance service value via sustainable practices and service excellence
- Enhance profitability and operational excellence with continual innovation to differentiate our services from competition
- Enhance productivity with continual training and development of core competence
- Prudent incubation of promising business with strong growth potential.

OPERATIONAL REVIEW

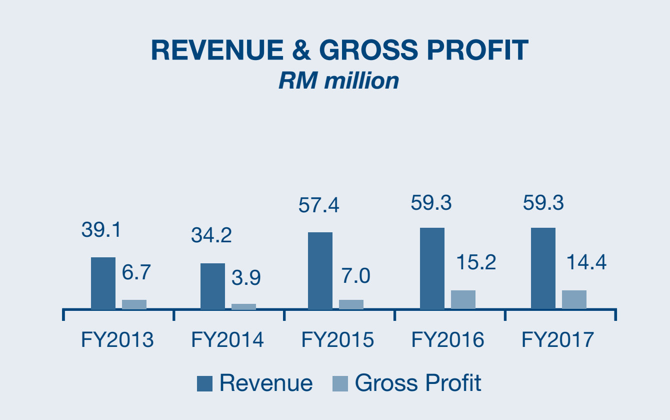
During the year, the Group carry out the following;

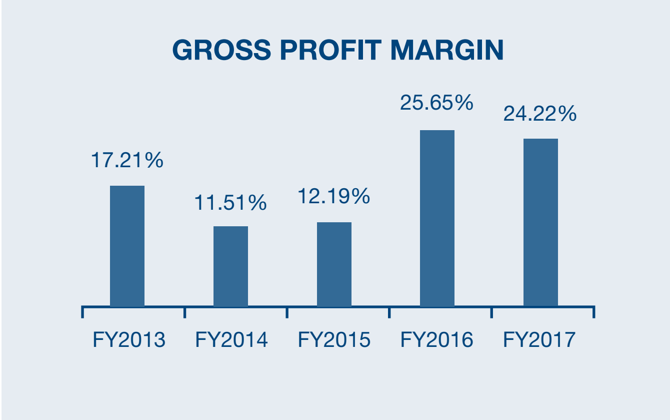
1. As the precision cleaning headquarters in Singapore, Magnetronics Technology Pte Ltd has been renamed as MClean Precision Pte Ltd. The acquisition of Sonic Clean Pte Ltd consolidated MClean's precision cleaning dominance in Singapore. MClean continue to extend its reach in the region with the BOI (Board of Investment of Thailand) approval for MClean Technologies Thailand to commence operation from December 2017.

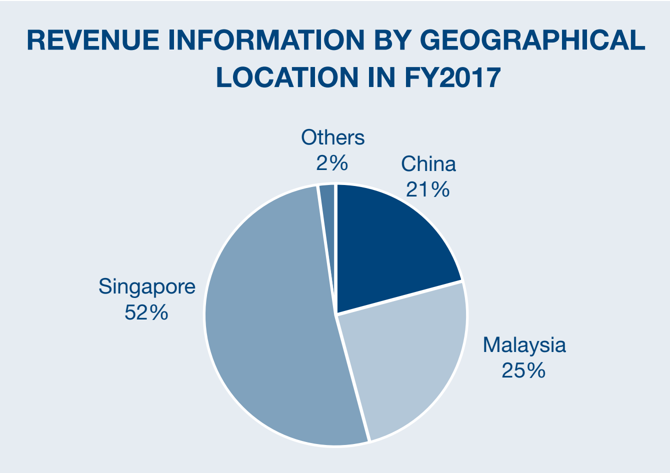
2. MClean Cloud Logistics Pte Ltd was formed to expand along the electronics value chain into advance logistics – pairing of flexible packaging with intelligent software. Working closely with key partners, it is still in the development stage.

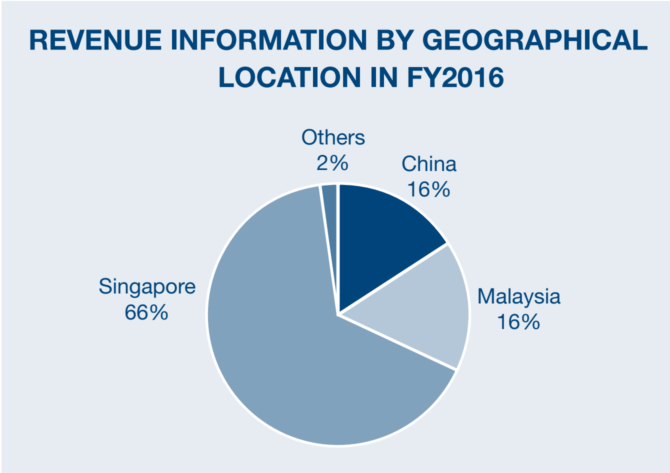
HIGHLIGHTS OF OUR GROUP FINANCIAL INFORMATION FOR THE PAST 5 YEARS (RM'000)

	2013	2014	2015	2016	2017
Revenue	39,142	34,224	57,362	59,340	59,255
Gross profit	6,737	3,939	6,994	15,222	14,351
(Loss)/Profit before tax	(2,958)	(5,592)	3,788	2,687	(3,872)
(Loss)/Profit before tax – excluding non-recurring item relating to the investment in DWZ group	*(2,958)*	*(5,592)*	*(3,999)*	*1,421*	*(3,872)*
Net Asset per share	0.19	0.15	0.19	0.19	0.17
(Loss)/Profit per share ("LPS")/ "EPS"(sen)	(1.66)	(4.76)	2.73	0.48	(2.01)









FINANCIAL ANALYSIS

FINANCIAL RESULTS

Sales for FY2017 remained about the same as compared with FY2016. Decrease in Cassette washing services, were offset by higher surface treatment and component washing services.

Gross profit remained relatively consistent.

Other income for FY2017 decreased by 86.7% from RM2.41 million to RM 0.32 million mainly due to a one off compensation for profit guarantee shortfall of RM1.27 million in FY2016. Excluding this non-recurring item, profit before tax for FY2016 was RM1.42 million.

Administration expenses increased by approximately 30.71%. The increase was mainly due to increased in indirect staff cost of approximately RM2.29 million and legal and professional fee of approximately RM0.81 million.

Other expenses for FY2017 mainly comprised of foreign exchange losses of RM 1.10 million. While in FY2016, it was mainly comprised of intangible asset written off of RM0.99 million.

Finance cost was lower in FY2017 as compared to FY2016 due to interest expense was still incurred for a term loan of RM1.49 million which was only fully repaid after May 2016.

Loss before tax for FY2017 was RM3.87 million as compared to profit before tax RM2.69 million for FY2016. Excluding the non-recurring item relating to the investment in DWZ group, adjusted result before tax for FY2017 was a loss of RM3.87 million as compare to FY2016 was a profit of RM1.42million. This loss was mainly due to:

a) Indirect salary cost Indirect staff cost increased by RM2.28 million
b) Legal and professional fee increased by RM0.81 million
c) Foreign exchange loss of RM1.10 million

FINANCIAL POSITION

The Group's property, plant and equipment increased by approximately RM4.90 million, mainly due to the addition of property, plant and equipment of approximately RM9.37 million which was partially offset by the depreciation charged for the year under review of approximately RM4.26 million and disposal of certain property, plant and equipment. The addition relates to equipment and renovation cost for the Groups' new factory facility in Malaysia.

Cash and bank balances decreased by 30% to RM4.62 million as at 31 December 2017 as compared to RM6.6 million as at 31 December 2016. The decrease in cash and bank balances was mainly use for cash outlays for dividend paid to non-controlling interest amounting to RM0.59 million and purchase of property, plant and equipment.

Trade payables increased by approximately RM3.02 million to RM7.92 million mainly due to the capital expenditure payables.

The Groups' total borrowings increased by 49.74% to RM3.38 million mainly due to additional drawdown for the group expansion.

DIVIDEND

The Group had not adopted any dividend policy. However, the Board will evaluate the Group's profitability, long term plan and cash flows position annually before recommending any dividend payment.

RISKS ANALYSIS

Market risk

MClean main market is in the magnetic Hard Disk Drive industry (HDD). Solid state drive (SSD) has completely dominated the mobile devices and is expected to eventually replace magnetic disk in laptop and desktop storage. However the magnetic disk continue to be the major storage for enterprise and cloud data. The future of HDD hinge on its continual deployment of new technologies to maintain its cost advantage per storage capacity over SSD.

Even as the HDD market decline it is still a sizable volume industry, MClean continue to position itself to expand its market share at the expense of its competitors.

Foreign currencies exchange risks

MClean operates in four countries and its revenue is highly correlated to the strength of USD and Malaysia ringgit. MClean rely on natural hedging to partially mitigate such risk and uses the forward exchange contracts to further mitigate the net exposure in such currencies exposure. This exchange risks is further detailed in pages 81 to 86 note 31 of the Audited financial statements.

FORWARD LOOKING STATEMENT

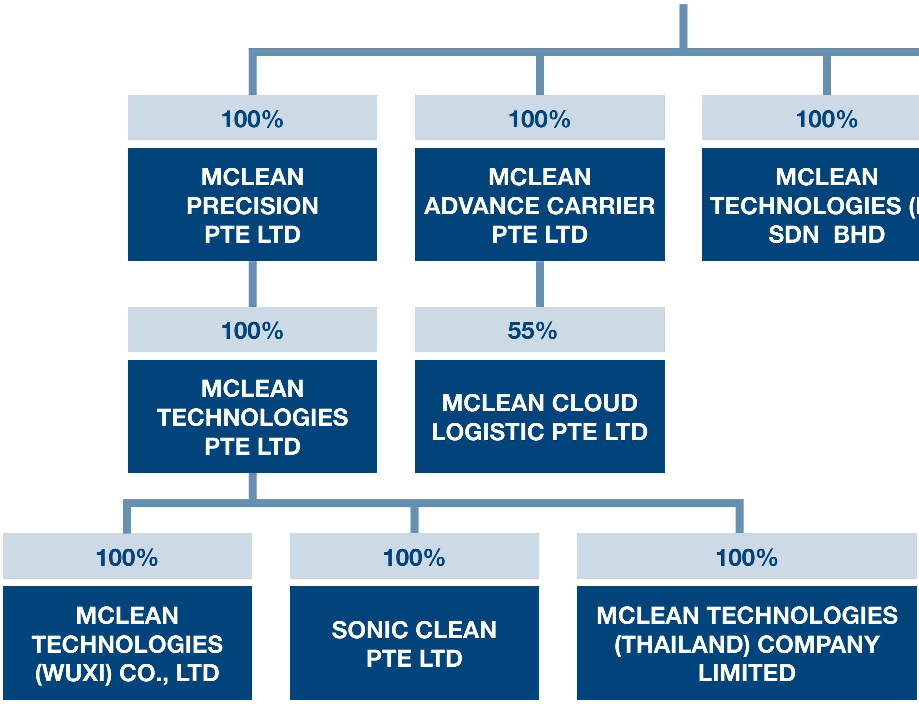
The Group operate mainly in the HDD industry which continue to be competitive and challenging. Against this backdrop, our newly established operating base in Thailand is expected to be fully operational by the 2nd half of 2018. With our increasing geographical presence in all our major customers operations, we are well position to meet the challenges ahead.

The group expanded its capability along the electronics industry value chain. It shall be offering one-stop service from design, moulding right up to assembly and packaging for the electronics industry.

On a longer term, the Group is also exploring the renewable energy business. Appropriate public announcements shall be made when it materialised. These new initiatives and investments are vital for the group self-renewal to secure future revenue streams.

CORPORATE STRUCTURE

MCLEAN TECHNOLOGIES BERHAD
(893631-T)



Abbreviation	Name of Company	Principal activities
MClean	MClean Technologies Berhad	Investment holding
MPP	MClean Precision Pte Ltd	Investment holding company and to provide washing, assembling and sorting services for electronic components and sales of electronic components
MTP	MClean Technologies Pte Ltd	Provide precision cleaning, assembly services, and other related service to hard disk drive industry
MTW	MClean Technologies (Wuxi) Co Ltd	Provide precision cleaning and assembly services clean bulk packaging services and other related services
MAC	MClean Advance Carrier Pte Ltd	Investment holding company
MTM	MClean Technologies (M) Sdn Bhd	Provide surface treatment and related services such as surface finishing, precision cleaning and packaging services
MCL	MClean Cloud Logistic Pte Ltd	Supply chain and time to market delivery solution
MTT	MClean Technologies (Thailand) Company Limited	Provide precision cleaning, assembly services, and other related service to hard disk drive industry
SCP	Sonic Clean Pte Ltd	Provide precision cleaning, assembly services, and other related service to hard disk drive industry
DWZ	DWZ Industries Sdn Bhd	Surface treatment and finishing specialist for electrical and electronic industries
DWZ Johor	DWZ Industries (Johor) Sdn Bhd	Surface treatment and finishing specialist for electrical and electronic industries

CORPORATE INFORMATION

DIRECTORS

Yeo Hock Huat	*(Executive Chairman, Executive Director)*
Lim Han Kiau	*(Chief Executive Officer, Executive Director)*
Datuk Wira Mark William Ling Lee Meng	*(Senior Independent Non-Executive Director)*
Dr Ho Choon Hou	*(Independent Non-Executive Director)*
Pang Kong Chek	*(Independent Non-Executive Director)*
Yeo Seow Lai	*(Non-Independent Non-Executive Director)*

AUDIT COMMITTEE

Datuk Wira Mark William Ling Lee Meng *(Chairman)*

Dr Ho Choon Hou

Pang Kong Chek

Yeo Seow Lai

REMUNERATION COMMITTEE

Datuk Wira Mark William Ling Lee Meng *(Chairman)*

Dr Ho Choon Hou *(Appointed on 26 February 2018)*

Pang Kong Chek

Yeo Hock Huat *(Resigned on 26 February 2018)*

NOMINATION COMMITTEE

Datuk Wira Mark William Ling Lee Meng *(Chairman)*

Pang Kong Chek

Yeo Seow Lai

REGISTERED OFFICE

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Fax no. : +65 6753 8993
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COMPANY SECRETARIES

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Wong Chee Yin (MAICSA 7023530)

Santhi A/P Saminathan (MAICSA 7069709)

AUDITORS

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Tel no. : +603 2692 4022
Fax no. : +603 2691 5229

SHARE REGISTRAR

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Unit 32-01, Level 32, Tower A
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59200 Kuala Lumpur, Malaysia
Tel no. : +603 2783 9299
Fax no. : +603 2783 9222

PRINCIPAL BANKERS

Malayan Banking Berhad
United Overseas Bank Limited
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Name : MCLEAN & MCLEAN-WB
Stock Code : 0167 & 0167WB
Sector : Trading Services

PROFILE OF BOARD OF DIRECTORS

Yeo Hock Huat
Executive Chairman
55 years of age, Male, Singaporean

Mr Yeo Hock Huat, was appointed to the Board on 1 June 2010 and is the Executive Chairman of MClean Technologies Berhad ("MClean").

He holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore and an Executive Masters in Business Administration from the National University of Singapore.

Mr Yeo has more than 20 years of experience in contract services and the equipment manufacturing industry and is currently a Director of MClean Group. Mr Yeo is primarily responsible for the overall strategic direction and planning of our Group and had started our Group's primary business in precision cleaning for the HDD manufacturers and assemblers through the founding of MClean Singapore.

He does not hold any directorship in any other public company. Mr Yeo is the brother of Madam Yeo Seow Lai who is a director and major shareholder of MClean. Save as mentioned, he has no family relationship with other Directors and/or major shareholders of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Mr Yeo Hock Huat attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

Lim Han Kiau
Chief Executive Officer, Executive Director
58 years of age, Male, Singaporean

Mr Lim Han Kiau, is the Executive Director and Chief Executive Officer and was appointed to the Board on 12 October 2015. He is responsible for the overall business operations of the Group, including overall sales and finance. He hails from The Chinese High School in Singapore and is a well-respected businessman with extensive experience in the surface treatment industry for more than 30 years.

Mr Lim Han Kiau does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Mr Lim Han Kiau attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF BOARD OF DIRECTORS (cont'd)

Datuk Wira Mark William Ling Lee Meng
Independent Non-Executive Director
55 years of age, Male, Malaysian

Datuk Wira Mark, was appointed to the Board on 16 June 2010. He is the Chairman of the Nomination Committee, Remuneration Committee and Audit Committee. Datuk Wira Mark was born in Sarawak, Malaysia to a family rooted in business and commerce. The Ling family founded Hock Hua Bank and Kong Ming Bank, being the predecessors to Malaysia's anchor banks of today, and have been extensively involved in timber concessions in Borneo as well as the Pacific islands, mining and property development in Australia and New Zealand.

Upon completing his high school education at The Southport School, Australia, Datuk Wira Mark started his career in Kong Ming Bank Berhad (which had since been restructured to form part of the then EON Bank Group which merged with Hong Leong Bank Berhad today) on 2 February 1984 as a Marketing Director where he was involved in project finance transactions in a number of industry sectors, including privatisation of public infrastructure, power and telecommunications. Datuk Wira Mark left the banking industry as a Marketing Director on 24 February 1988. Since then, Datuk wira Mark has been focusing on the development of greenfield power projects in the Asia Pacific region.

Datuk Wira Mark is highly experienced in regional business development and strategy. He was appointed as the Strategic Planning Advisor for Asia Pacific by Powergen International in 1996. Part of his role as the Advisor was to create proprietary deal flow to develop Powergen's power project portfolio in the Asia Pacific region. Datuk Wira Mark led the execution of the acquisition of Malakoff Berhad, and was appointed as an Executive Director on 2 April 2001.

On 1 August 2001, Datuk Wira Mark left Malakoff Berhad to set up a private equity firm specialising in the energy sectors. He has been involved with strategic investments focused primarily in the emerging economies in the Asia Pacific and Africa regions. His ventures include, inter alia, developing proprietary technology in oil and gas drilling, renewable energy power plant utilising biomass waste and currently, a steel manufacturing facility.

Datuk Wira Mark is also the Independent Non-Executive Director of Stemlife Berhad and an Executive Director of Powertek Berhad Group. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Datuk Wira Mark attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

Dr Ho Choon Hou
Independent Non-Executive Director
46 years of age, Male, Singaporean

Dr Ho Choon Hou, was appointed to the Board on 17 August 2011 and is a member of the Audit Committee and Remuneration Committee.

Dr Ho holds a Bachelor of Medicine and Surgery (Honours) from the University of Sheffield, UK and a Master of Medicine (Surgery) from the National University of Singapore. He obtained membership into the Royal College of Surgeons (Edinburgh) and his Masters of Business Administration (Honours) from the University of Chicago.

He is currently attached to Southern Capital Group Limited as an Executive Director, a private equity firm, which is principally involved in the management of investments for institutional investors.

Prior to joining Southern Capital Group Limited, Dr Ho held various portfolios in the healthcare industry. From 2004 to 2007, he served as Executive Director at National Healthcare Group. He was also the co-founder of Medfolders which was acquired by NovaMSC in 2000 and the co-founder of Cordlife (listed on the ASX). He is also the non-executive Chairman of Cordlife Group Limited listed on the Singapore Stock Exchange ("SGX").

Dr Ho is also the Non-Independent Non-Executive Chairman of Stemlife Berhad and the Independent Director of Advanced Holding Ltd (listed on the SGX). He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Dr Ho attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF BOARD OF DIRECTORS (cont'd)

Pang Kong Chek
Independent Non-Executive Director
41 years of age, Male, Malaysian

Mr Pang Kong Chek was appointed to the Board on 16 June 2010 and is a member of the Nomination Committee, Remuneration Committee and Audit Committee.

Mr Pang holds a Bachelor Degree in Business (Accountancy) from RMIT University, Australia. He is also a member of Certified Practising Accountants, Australia and the Malaysian Institute of Accountants.

Mr Pang brings with him more than ten (10) years of experience in the field of corporate accounting, finance, banking and administration. He was an Accountant at KZen Solutions Berhad, an ACE Market-listed company, for five (5) years from 2004 to 2009. During his tenure with the company, he handled the initial public offering and financial management of the group.

Prior to his attachment with KZen Solutions Berhad, Mr Pang worked for a public accounting firm, Ernst & Young as a Senior Associate from 2000 and resigning as a Senior Associate in 2004 whereby he has worked with many clients from various industries such as banking, manufacturing, consultancy, property development, trading, construction, investment holding and information technology. He was attached to Hewlett-Packard Malaysia as a Senior Financial Analyst supporting HP Enterprise Business Asia Pacific Finance from 2009 to 2010.

Currently, he is attached to a local private company as a Chief Financial Officer since 2010 and moved on to another private company as General Manager - Finance in 2017.

Mr Pang does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Mr Pang attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

Yeo Seow Lai
Non-Independent Non-Executive Director
59 years of age, Female, Singaporean

Madam Yeo Seow Lai was appointed to the Board on 16 June 2010 and is a member of the Nomination Committee and Audit Committee.

Madam Yeo holds a Diploma in Life Insurance from the Singapore College of Insurance.

Madam Yeo commenced her career with Great Eastern Life as a Career Agent on 14 May 1988 and was responsible for the financial planning for companies and individuals up to her resignation as a Career Agent on 30 July 1998. After leaving Great Eastern Life, she joined TM Asia Life (now Tokio Marine Insurance Singapore Ltd) on 1 August 1998 as a Senior Financial Advisor, whereby she was a Financial Planning Consultant and her role involved financial planning for companies and individuals as well as investment planning at individual and corporate levels. Overall, Madam Yeo has more than 20 years of experience in insurance.

Madam Yeo now does financial planning only on the corporate level, in addition to her position as a certified Real Estate Professional. Currently, she is also the Director of JCS Biotech Pte Ltd (formerly known as JCS Automation Pte Ltd), following her appointment on 8 June 1990.

Madam Yeo is the sister of Mr Yeo Hock Huat who is a director and major shareholder of MClean. Save as mentioned, she has no family relationship with other directors and/ or major shareholders of MClean and does not have any conflict of interest with MClean. Further, she has never been convicted of any offences within the past five years.

Madam Yeo attended all five (5) Board Meetings of the Company held during the financial year ended 31 December 2017.

PROFILE OF KEY SENIOR MANAGEMENT

Loh Weng Yew
Chief Financial Officer ("CFO")
54 years of age, Male, Singaporean

Mr Loh Weng Yew holds a Bachelor of Business (Accounting) degree from Curtin University of Technology, Australia and a Master of Business Administration from Heriot-Watt University, Edinburgh UK. He is also a Fellow member of both the Institute of Singapore Chartered Accountants and CPA Australia. He has been with the Group since November 2009 and has more than 20 years of experience in accounting, finance and administration. Mr Loh was appointed as CFO of MClean on 1 April 2010 and currently oversees the Group's financials and participate in the Group's strategic developments.

He does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Chow Kok Meng, Bert
Chief Operating Officer – Precision Cleaning
58 years of age, Male, Singaporean

Mr Bert Chow, is the Chief Operating Officer appointed on 1 January 2016 for the Precision Cleaning business operations of the Group. He has been with MClean since its inception in 2003. Mr Bert Chow obtained his Degree of Bachelor of Engineering (Electrical) in 1986 from the National University of Singapore. He has more than 20 years of experience in the high technology manufacturing industry.

Mr Bert Chow does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

Chua Chee Tiong
Chief Operating Officer – Surface Treatment
48 years of age, Male, Singaporean

Mr Chua, is the Chief Operating Officer appointed on 1 January 2016 for the Surface Treatment business operations of the Group. He has been with DWZ group since 1997, which subsequently become a subsidiary of MClean in 2015. Mr Chua obtained his business degree from RMIT. He has more than 25 years of experience in the industry engineering and manufacturing industry.

Mr Chua does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past five years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 (**"MCCG 2017"**) sets out basic principles and best practices to promote greater internalisation of corporate governance that companies may adopt in their operations towards achieving the optimal governance framework.

The Board of Directors of MClean Technologies Berhad (**"the Company"**) recognises the importance of practicing good corporate governance and remains committed in ensuring that the Company and its subsidiaries ("Group") practices high standard of corporate governance in line with the MCCG 2017 in discharging their fiduciary duties and responsibilities to enhance long-term shareholders' value whilst taking into account the interests of other stakeholders of the Company.

In line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is pleased to provide the following statement, which outlines the commitment of the Board to ethical behavior and transparency in business strategy, operations and corporate culture in deriving the intended outcomes of the Principles and Practices of the MCCG 2017, and in applying the principles and practices of the MCCG 2017 to ensure long-term sustainability of the Group.

This statement is to be read together with the Corporate Governance Report 2017 of the Company which is available on the Company's website www.mclean.com.sg.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Company is led by a dynamic and experienced Board, which is primarily entrusted with the responsibility of charting the direction of the Group. In adhering to the MCCG 2017 practices and in responsibilities to ensure that the Company operate successfully and sustain growth, the Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, whilst providing effective oversight of Management's performance, risk assessment and controls over business operations to address the sustainability of the Group's business.

The Board holds meeting quarterly and as and when necessary for any matters which may arise between the meetings. The meeting materials are circulated to Directors at least five business days in advance of the Board or Board Committee meetings. The Minutes of the Board or Board Committee meetings are circulated to all Board members in a timely manner for review before it is tabled for confirmation. All Board members reviewed and confirm the minutes of meetings to ensure they accurately reflect the deliberation and decisions made by the Board.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Chairman of the Board and the Chief Executive Officer (**"CEO"**). Mr Yeo Hock Huat is the Chairman whereas Mr Lim Han Kiau is the Company's CEO, both of them are Executive Directors. The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. As Executive Chairman, Mr Yeo Hock Huat plays a pivotal role in assisting the Board in developing policies and strategies and ensuring that they are implemented effectively. The Board is unanimous in its decision that to remain Mr Yeo Hock Huat as an Executive Chairman since there is a good balance of power and authority as all the Board Committees are chaired by the Independent Directors. The Chairman is responsible for the leadership of the Group and for promoting the highest standards of integrity and probity and he leads strategic planning at the Board level. Further, the Chairman acts as facilitator at meetings of the Board to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming. The CEO on the other hand, are responsible for making and implementing the policies laid down, operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company and the Group, in accordance with the delegated authority of the Board.

To assist in the execution of its responsibilities, the Board has also delegated specific responsibilities to the Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee, each of which functions are clearly defined in its respective terms of reference and operating procedures which are reviewed on a regular basis. These committees have the authority to examine particular issues for reporting to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

In general, the Non-Executive Directors are independent of Management. The Non-Executive Directors play key supporting roles to contribute knowledge and experience towards the formulation of policies and in the decision-making process. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

Apart from matters which are expressly required by law to be approved by the Board, the matters specially reserved for the Board's approvals, amongst others, are as follows:-

a. Charters for Board Committee;
b. Material acquisitions and disposals of assets not in the ordinary course of business of the Group;
c. Related party transactions;
d. Authorisation levels;
e. Treasury policy;
f. Risk management policy;
g. Dividend policy and recommendation of interim and final dividends;
h. Strategic plan, annual operating and capital expenditure budgets;
i. Financial statements;
j. Material contracts within the Group;
k. Appointment and removal of auditors based on recommendations from the Audit Committee;
l. Appointment and removal of Directors of the Group, Chief Executive Officer and other senior Management positions based on the recommendation of Nomination and Remuneration Committees; and
m. Promoting effective communication and proactive engagements with shareholders.

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(a) Reviewing and adopting the Company's strategic plans

The Board has put in place a strategy planning process, whereby CEO presents to the Board its recommended strategy annually, together with the proposed business plans and strategies for the ensuing year for the Board's review and approval. The Board will deliberate the recommended strategic plan at length and provide views and opinions to ensure that Management has taken into account all the appropriate considerations in establishing such strategic plan for the Group.

Management had prepared and presented its 2018 Budget and Business Plan for Board's review at the Board meeting. The 2018 Budget and Business Plan were discussed in detail and subsequently approved by the Board.

The Board would continue to review the strategic plan to ensure its implementation.

(b) Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by Management and the Finance Director.

In discharging its responsibility, the CEO had updated the Board on the key or major developments, achievement and challenges faced by the Group at the Board meeting. The Board had deliberated in depth and provided their feedback and guidance before decision was made in the same meeting.

The Board together with CEO will continue to oversee the conduct of the Company's business by monitoring the achievements and performance of Management under the leadership of CEO in delivering the approved targets in accordance with the strategic plan.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

Through the Audit Committee, the Board oversees the Risk Management framework of the Group. The Audit Committee advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee reviews the action plan implemented and makes relevant recommendations to the Board to manage risks.

(d) Succession Planning

The Board has entrusted the Nomination Committee and Remuneration Committee with the responsibility to review candidates for the Board and key management positions to ensure all such key positions being filled are of sufficient caliber and are remunerated accordingly.

The Board views succession planning as important for business continuity. It is acknowledged that with succession planning, the key job vacancies created due to retirement and resignation would be filled quickly and without any business interruption.

(e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. The Company carried out its Investor Relations ("IR") activities with reference to its stated Corporate Disclosure Policy, which is available on its website.

In addition to the above, shareholders and investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses available on the corporate website.

(f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Formalised ethical standards through Directors' Code of Conduct

The Board is guided by the Directors' Codes of Conduct in discharging its oversight role effectively. The Directors' Codes of Conduct require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Directors' Codes of Conduct was published on the corporate website at www.mclean.com.sg and it will be reviewed from time to time by the Board.

The Board had formalised the Company's Whistleblowing Policy whereby all employees are encouraged to disclose any malpractice or misconduct of which they become aware. The detail of Whistleblowing Policy can be found on the corporate website at www.mclean.com.sg.

Strategies promoting sustainability

The Board believes that it is crucial in driving interest and investments towards sustainability to the mutual benefit of the Group and its investors.

MClean focus on sustainability are marked on achieving long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainable products and services while at the same time minimizing costs and mitigating any sustainability risks. The Group's overall strategy involves continuous integration of long term economic, environmental, governance and social aspects in their business strategies while maintaining competitiveness, as set out below:

- Financial
  Meeting shareholders' demands for reasonable financial returns, long-term economic growth, open communication and transparent financial reporting.
- Environmental
  Investing in technologies and systems, which use financial, natural and social resources in an efficient, effective and economic manner over the long-term.

Strategies promoting sustainability (cont'd)

- Governance and Stakeholder
  Embracing standards of corporate governance including corporate code of conducts and public reporting.
- Human Capital
  Managing human resources to maintain workforce capabilities and employee satisfaction through learning and knowledge management practices as well as remuneration and benefit programs.

Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

Qualified and competent company secretaries

The Board is supported by three suitably qualified and competent Company Secretaries. The Company Secretaries are qualified Chartered Secretaries under Section 235(2)(a) of the Companies Act, 2016. The Company Secretaries are external company secretaries with vast knowledge and experience from being in public practice and are supported by a dedicated team of company secretarial personnel. The Company Secretaries are responsible for providing support and guidance to the Board on issues relating to compliance with rules and regulations and relevant laws affecting the Company as well as the best practices on governance matters.

The Board is regularly updated and apprised by the Company Secretaries on new regulation issued by the regulatory authorities. The Company Secretaries also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares.

The Company Secretaries roles including to attend all Board meetings and Board Committees meetings whereby during such meetings, the Company Secretaries shall ensure that all issues being deliberated with the decision and conclusion reached are accurately and properly recorded and documented. The Company Secretaries shall also record, prepare and circulate the minutes of the meetings of the Board and Board Committees and ensure that the minutes are properly kept at the registered office of the Company and readily available for inspection, if required. In addition, the Company Secretaries shall facilitate the Board in conducting the annual Board Effectiveness Assessment.

Further, the Company Secretaries works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

Board Charter

The Board adopted the Board Charter on 27 February 2013 which serves as a reference point for Board's activities. The Board Charter provides guidance for Directors and Management on the roles and responsibilities of the Board, its CEO and Board Committees. The Board Charter is made available at the Company's website at www.mclean.com.sg.

The Board Charter is subject to regulary review to ensure consistency with the Board's objectives and responsibilities, and relevant laws, regilations, guidelines as well as standards of corporate governance. The Board had reviewed the Board Charter in April 2016.

Board Composition and Balance

The Board comprises six (6) members, of whom, one (1) Executive Chairman, one (1) CEO, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The composition of the Board meets the criteria on one third (1/3) independent directorship as set out in the ACE Market Listing Requirements.

Although the Chairman is not an Independent Non-Executive Director, the Board is of the view that there are sufficient independent minded Directors with wide board room experience to provide the necessary check and balance.

Besides, the Board maintains specific Board committees with clear responsibilities and terms of reference to assist the Board in carrying out its stewardship role and function, and fulfilling its fiduciary responsibilities. The Executive Chairman, as a rule, will abstain from all deliberations and voting on matters, which he is directly or deemed interested.

The Board comprises highly respectable and professional persons and represents a diverse background of knowledge, expertise and experience. With their combined experience and knowledge they provide sound advice and judgement for the benefit of the Company and its shareholders. The mixed skills and experience are vital for the successful performance of the Company. Details of each individual Director's skill and experience are presented in the Board Directors' Profile set out on pages 9 to 11 of this Annual Report.

The Board continues to give close consideration to its size, composition, spread of experience and expertise. The Executive Directors are overall responsible for implementing the strategies and decisions of the Board, overseeing the Group's day-to-day operations and businesses, whilst the Independent Non-Executive Directors provide their independent view, unbiased judgment and knowledge to Management as well as safeguarding the interests of the shareholders. No individual or group of individuals dominates the Board's decision-making and non-Executive Directors do not participate in the day-to-day management of the Group.

Board Appointment Process

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership through a transparent and rigorous process. All nominations of candidates for the positions of directors and CEO must be submitted to the Nomination Committee for consideration.

The Nomination Committee shall assess the candidates based on the "Fit and Proper" standards before recommending the candidates to the Board for approval.

Board Appointment Process (cont'd)

The Nomination Committee also has the liberty to rely on external opinions and services for such recommendations. The Board will have ultimate responsibility and final decision on such appointment. Notwithstanding the skills and experiences of each candidate, the Nomination Committee takes into consideration the following factors for the purposes of the appointment:-

- the candidate's general understanding of the Group's business;
- the candidate's integrity, professionalism, qualification, time commitment, experience and background;
- other factors that promote diversity in age, gender and experience; and
- in the case of candidates for the position of Independent Non-Executive Directors, whether such candidate has met the requirements for independence as defined in the Listing Requirements of Bursa Malaysia Securities Berhad;

Upon deciding on their selection(s), the Nomination Committee will contact those identified candidates to ascertain the candidate's interest in serving the Company. The above process will ensure that prospective Board member(s) have clarity on the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other criteria as required.

As part of the appointment/selection process, the potential candidate must disclose his existing directorships as well as any other commitments as to determine whether he has adequate time to perform his duties.

The recruitment process concludes with an induction programme for a newly appointed director. The induction programme shall allow the newly appointed director to understand the Company's vision and mission, the nature of the business, the corporate strategy and business plan, current issues affecting the Group and the expectations of the Company concerning input from directors.

Appointments and Re-Election

The Company's Constitution (previously "Memorandum and Articles of Association") provided that at least one third (1/3) of the Directors including the managing director are subject to retirement by rotation at least once in every three (3) years but shall be eligible for re-election at each Annual General Meeting ("**AGM**") and can offer himself/herself for re-election. The Article also provides that a Directors who are appointed by the Board during the financial year are subject to election by the shareholders at the next AGM to be held following their appointment.

The Nomination Committee will provide its recommendation to the Board for the Board's recommendation to the shareholders for the re-election and re-appointment of a Director at the AGM, in accordance with its Constitution after evaluating the performance of such individual Director. In determining whether to recommend a Director for re-election, the Director's past attendance at meetings, participation and contribution to the functioning of the Board and its committee will be duly considered by the Nomination Committee.

Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual (Self & Peer) Assessment, Board Committees' Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's role and responsibilities. The Board had also put in place performance assessment forms for each Board Committees based on the specific functions, duties and responsibilities carried out by each Board Committees.

For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.

The Nomination Committee also undertakes yearly evaluation of the performance of the Finance Director/Chief Financial Officer ("**CFO**") whose remuneration is directly linked to performance, based on his score sheet. For this purpose, the performance evaluation of the CFO for the year 2017 has been reviewed by the Nomination Committee.

Reinforce Independence

(i) Tenure of Independent Directors

The Board complied with the recommendation of the MCCG 2017 that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Board, upon recommendation of the Nomination Committee, shall justify and seek shareholders' approval in the event that the person, who has served in that capacity for more than nine (9) years, retains as an independent director.

The Board noted that none of the Independent Non-Executive Directors have served on the Board for more than nine (9) years.

(ii) Annual Assessment of Independence of Independent Director

The Board, through the Nomination Committee, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the assessment of the independence of the Independent Non-Executive Directors conducted by the Nomination Committee on 24 February 2017, the Board is satisfied that all Independent Non-Executive Directors are able to provide check and balance to the Board's decision making process and bring independent and objective judgement to board deliberations.

The Board composition has met with the ACE Market Listing Requirements and the MCCG 2017 for a balanced board which is fulfilled with Independent Directors constituting more than one-third of the Board.

Reinforce Independence (cont'd)

(iii) Shareholders' approval for the Continuance in Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director.

The Nomination Committee will assess the independence of the Independent Director based on the assessment criteria developed by the Nomination Committee and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders, where applicable.

Foster Commitment

(i) Time Commitment

The Directors observe the recommendation of the MCCG 2017 that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively, none of the Directors holds directorships of more than five (5) public listed companies.

The Board meets at quarterly intervals and on other occasions, as and when necessary, to inter-alia approve quarterly results, the Annual Report and budgets as well as to review the performance of the Group, operating subsidiaries and other business development activities. Senior Management, internal auditors, external auditors and/or other professional advisors are invited to attend the Board and Board Committee meetings to advise on relevant agenda items to enable the Board and its Committees to arrive at a considered decision.

A total of five (5) Board meetings were held during the financial year ended 31 December 2017. The details of attendance of the Board members are listed as follows:

Name of Director	Number of Meeting Attended
Yeo Hock Huat	5/5
Yeo Seow Lai	5/5
Datuk Wira Mark William Ling Lee Meng	5/5
Pang Kong Chek	5/5
Dr Ho Choon Hou	5/5
Lim Han Kiau	5/5

All Directors have complied with the requirements on minimum 50% attendance at Board meetings as stipulated in the ACE Market Listing Requirements of Bursa Securities.

The Board meetings for each financial year are scheduled and planned ahead before the commencement of a new financial year. This is to allow the Directors to organise their plans and activities ahead to enable them to attend all the Board meetings which have been scheduled. All the Directors have fully participated in the discussions during the Board meetings. There is no Board dominance by any individual and the Directors are free to express their views and opinions during the Board meetings. In arriving at Board decisions, the will of the majority prevails at all times.

The Directors are aware that they must notify the other Board members of their interest in contracts that is in conflict, or in potential conflict with an interest of the Company or its subsidiaries by disclosing the nature and extent of that interest as arise and they do not participate in the deliberations on the matters of which they have a material personal interest, and abstain from voting in such matters.

(ii) Directors' Trainings

The Directors are mindful that appropriate trainings are required from time to time to keep them abreast with the development of the industry as well as comply with the statutory and regulatory requirements.

To ensure that the Directors are competent in carrying out their expected roles and responsibilities, they are provided with the opportunity for training and update from time to time, particularly on relevant new laws and regulations, financial reporting, risk management and investors relation to equip themselves with the knowledge to effectively discharge their duties as Directors.

The Board will assume the onus of determining and overseeing the training needs of their Directors. Board members were also constantly updated by the Company Secretary during the Board meeting on various updates on regulatory and development.

During the financial year under review, Dr Ho Choon Hou has not attended any trainings due to his business commitment.

Save for the above, the following Directors had attended the following training, seminars conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate government development during the financial year ended 31 December 2017:-

No.	Name of Director	Course Attended	Date Attended
1.	Yeo Hock Huat	ASEAN Program of Tsinghua PBCSF	11 May 2017
2.	Lim Han Kiau	Advocacy session on corporate disclosure for directors and principal officers of listed issuers	31 October 2017
3.	Datuk Wira Mark William Ling Lee Meng	SSM national insolvency conference 2017	3 October 2017
4.	Yeo Seow Lai	Enhanced foreign market - IEA	13 November 2017 to 15 November 2017
4.	Pang Kong Chek	Driving Financial integrity & Performance - Enhancing Financial Literacy for audit committee members	1 August 2017

The Directors will continue to undergo other relevant training programmes as appropriate, to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties.

Boardroom Diversity

The Board views that the diversity of the Board's composition is important to facilitate decision making process by harnessing different insights and perspectives. The current diversity in gender, ethnicity and age of the existing Board is as follows:

	Race/Ethnicity			Age Group				Gender	
	Malay	Chinese	Indian	30-39	40-49	50-59	60-69	Male	Female
Number of Directors	-	6	-	-	2	4	-	5	1

The Company has one (1) female director for the time being. Nevertheless, the Board has yet to implement gender diversity policies and targets, or has any immediate plans to implement such policies and targets as the Board is of the view that gender should not be a basis of evaluation and that candidate should be sought after based on their level of experience and skill set as well as other qualities as stated above.

The gender diversity policy would be established should the need arises to ensure that due consideration is given to female candidates as directors and/or Board Committee members and facilitate achievement of such policies and targets.

The Board delegates certain responsibilities to Board Committees, each with defined terms of reference and responsibilities and the Board receives reports of their proceedings and deliberations. Where Committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted for the Board of Directors' approval. The Chairman of the various Committees report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board of Directors' meetings.

The Board Committees consists of Audit Committee, Nomination Committee and Remuneration Committee to enhance business, operational and administration efficiency and effectiveness.

The Board periodically reviews the Committees' terms of reference.

Nomination Committee

The Nomination Committee was established on 10 November 2010 comprised exclusively of Non-Executive Directors. The Nomination Committee is primarily responsible for the identification of desired mix of expertise, competencies and experiences for an effective Board and the assessment of the performance of the members of the Board.

For the financial year under review, the Nomination Committee held two (2) meetings. The members and record of attendance of individual committee members are as follows:-

Members	Number of Meeting Attended
Datuk Wira Mark William Ling Lee Meng (Chairman)	2/2
Pang Kong Chek	2/2
Yeo Seow Lai	2/2

The Nomination Committee is guided by specific terms of reference, which the same has been published on the Company's website.

The Nomination Committee will assist the Board on an on-going basis in the following responsibilities:-

a) To recommend to the Board, candidates for directorships. In making its recommendations, to consider the candidates' skills, knowledge, expertise and experience; professionalism; integrity; and in the case of candidate for the position of independent non-executive directors, to evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.

b) To review the criteria adopted for such assessment to ensure that it is current and relevant.

c) To recommend the Directors to sit on respective Board committees.

d) To administer the annual assessment of Directors, including a review of the skill, qualification and competencies of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director, including independent non-executive directors, as well as the chief executive officer. All assessments and evaluations carried out to be properly documented.

e) To identify suitable orientation, educational and training programmes for continuous development of Directors.

In discharge of its duties for the financial year ended 31 December 2017, the Nomination Committee had performed the following key activities:-

- reviewed the structure of the Board and the Board Committees;
- reviewed the tenure of Independent Non-Executive Director and their independence;
- evaluated the performance of the Board and Board Committees;
- nominated the directors who are due for retirement by rotation and are eligible to stand for re-election; and
- evaluated and determined the training needs of the Directors.

Remuneration Committee

The Remuneration Committee was established on 10 November 2010. The Remuneration Committee is responsible for recommending the remuneration framework and the remuneration packages of the Executive Directors (including Executive Chairman and Chief Executive Officer) and to establish a formal and transparent procedure for developing policy on remuneration packages of individual directors.

The Remuneration Committee is guided by specific terms of reference, which the same has been published on the Company's website.

Remuneration Committee (cont'd)

For the financial year under review, the Remuneration Committee held one (1) meeting. The members and the record of attendance of individual committee members are as follows:

Members	Number of Meeting Attended
Datuk Wira Mark William Ling Lee Meng (Chairman)	1/1
Dr Ho Choon Hou *(Appointed on 26 February 2018)*	N/A
Pang Kong Chek	1/1
Yeo Hock Huat *(Resigned on 26 February 2018)*	1/1

The Remuneration Committee reviews annually and proposes, subject to the approval of the Board, the remuneration scheme taking into consideration the term of office of each Director as a member of the Board as well as Committees of the Board. The determination of the remuneration packages of Directors are considered and approved by the Board as a whole. The remuneration and benefits of Directors is generally based on market conditions, responsibilities held and the overall financial performance of the Group. Nevertheless, the interested Directors shall abstain from any discussion on their own remuneration packages.

Directors' remuneration and benefits are recommended by the Remuneration Committee to the Board for the approval by the shareholders of the Company at annual general Meeting.

Directors' Remuneration and benefits

The Remuneration Committee considers the principles recommended by MCCG 2017 in determining the Directors' remuneration and benefits whereby, the Executive Directors' remuneration is designed to link rewards to the Group's and individual performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. Additionally, in ensuring that the Directors' remuneration and benefits is in line with the market expectations and competition to retain and attract talents in the Group, reference is made to the Directors' remuneration and benefits offered by other public listed companies.

It is the Board's and Remuneration Committee's duty to ensure that the level of remuneration is sufficient to attract and retain the Directors to build the Company successfully. Currently, the Directors are satisfied with their level of remuneration and benefits offered by the Company.

Details of the Directors' remuneration, including benefits received by the Directors from the Company and its subsidiaries during the financial year ended 31 December 2017 are as follows:

Directors	Director Fees RM	Salary RM	Bonus RM	EPF Contribution RM	Benefit-in-kind RM	Total RM
Executive:-						
Yeo Hock Huat	24,000	486,642	40,554	53,640	74,868	679,704
Lim Han Kiau	24,000	430,491	35,874	39,337	74,868	604,570
Non-Executive:-						
Datuk Wira Mark William Ling Lee Meng	80,000	-	-	-	200	80,200
Dr. Ho Choon Hou	80,000	-	-	-	-	80,000
Pang Kong Chek	36,000	-	-	-	1,405	37,405
Yeo Seow Lai	30,000	-	-	-	1,200	31,200
Total:	**274,000**	**917,133**	**76,428**	**92,977**	**152,541**	**1,513,079**

The number of Senior Management whose remuneration falls within the following bands is tabulated as below:-

Range of Remuneration (RM)	No. of Senior Management
500,001 to 550,000	1
550,001 to 600,000	-
600,001 to 650,000	-
650,001 to 700,000	-
700,001 to 750,000	2

The board has chosen to disclose the Senior Management staff's remuneration in bands instead of named basis as the Board was of the view that it would not be in its interest to make such detailed disclosure because of the competitive nature of the human resource market and to support the Group's effort to attract and retain executive.

Audit Committee

The Audit Committee was established on 10 November 2010 comprised of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Directors.

Details of the Audit Committee composition and activities during the financial year ended 31 December 2017 are set out on pages 25 to 26 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(i) Relationship with Auditors

The Board through the establishment of Audit Committee, maintains a formal and transparent relationship with the Company's Internal and External Auditors which has been accorded the authority to communicate directly with the Internal and External Auditors.

The Audit Committee meets with the internal and external auditors respectively, to discuss the audit plan, audit findings and the Group's financial statements. The external auditors also meet the Audit Committee at least twice a year without the presence of the Executive Directors and Management. In addition, the external auditors are invited to attend the AGM and to answer the shareholders' questions relating to the audited financial statements which may arise at the AGM.

The Audit Committee takes responsibility to ensure that adequate resources are allocated to the internal auditors to carry out their duties in accordance with the annual audit plan.

(ii) Assessment of suitability and independence of external auditors

The Audit Committee is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The external auditors had communicated with the Audit Committee vide the Audit Planning Memorandum and audit findings, and had provided the necessary quality of service and had sufficient resources to carry out the audit.

The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The terms of engagement for services provided by the external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

The Audit Committee had evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fee.

Nevertheless, the Audit Committee will put in place an annual assessment form to documents the assessment carried out on the suitability and independence of the external auditors on an annual basis.

The Board noted that the external auditors had expressed their willingness to continue in office for the ensuring year and having reviewed the suitability and independence of the external auditors, the Board recommend the re-appointment of the external auditors to the shareholder at the forthcoming Seventh Annual General Meeting.

(iii) Sound framework to manage risks

Management has put in place an adequate and effective system of internal controls addressing material financial, operational, compliance and information technology risks to safeguard the assets of the Company and the interest of shareholders.

The Board has overall responsibility for the governance of risk and oversees Management in the design, implementation and monitoring of enterprise risk management and internal control systems. The Audit Committee assist the Board in strengthening Management's risk management capabilities for the Group.

The Audit Committee are guided by its Terms of Reference, in particular, they:

(a) make recommendations to the Board on the risk appetite and associated risk parameters including risk limits for the Group;

(b) review and assess compliance with and the adequacy of the risk management framework, policies and strategies to identify, measure, manage and report risks;

(c) oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with Group's approved risk appetite and parameters and report to the Board on their decisions on any material matters concerning the aforementioned;

(d) make the necessary recommendations to the Board such that an opinion and comment regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report of the Company in accordance with the Listing Requirements and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; and

(e) consider and advise on risk matters referred to them by Management or the Board including reviewing and reporting to the Board on any material breaches of approved risk limits, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

The system of risk management and internal controls is reviewed and where appropriate, refined regularly by Management, Audit Committee and the Board.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The Board delegates the oversight of risk management and internal control to the Audit Committee. The Audit Committee oversees the implementation of the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee also assesses all material and key risks associated with the Group's businesses and operation as well as corporate proposals; and reviews the action plan implemented and makes relevant recommendations to the Board.

(iii) Sound framework to manage risks (cont'd)

Internal auditors and external auditors conduct reviews that involve testing the effectiveness of the material internal controls for the Group addressing financial, operational, compliance and information technology risks. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal auditors is reported to and reviewed by the Audit Committee. The adequacy and effectiveness of the measures taken by Management in response to the recommendations made by the internal auditors are also reviewed by the Audit Committee.

The Board has received assurance from the CEO and CFO that the system of risk management and internal controls in place for the Group is adequate and effective in addressing the material risks faced by the Group in its current business environment including material financial, operational, compliance and information technology risks. The CEO and CFO have obtained similar assurances from the respective risk and control owners.

The Board notes that the system of risk management and internal controls established by Management provides reasonable, but not absolute, assurance, that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

The detailed processes of risk management are described in the Statement on Risk Management and Internal Control on pages 23 to 24 of this Annual Report.

(iv) Internal Audit Function

The Company has outsourced its internal audit function to a professional services firm namely, Axcelasia Columbus Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board has also considered the adequacy of internal controls in addressing these risks and recognises that risks cannot be eliminated completely. Nevertheless, with the implementation of an adequate system of internal control, the Directors and Senior Management of the Group would aim to provide reasonable assurance against material misstatements, losses and fraud. The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is set out on pages 23 to 24 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(i) Financial Reporting

The Board of Directors is responsible to present a balanced and understandable assessment of the Group's position and prospects through the annual financial statements, quarterly and half yearly announcement of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Company's financial statements are drawn up in accordance with the requirements of the Companies Act, 2016 and the approved accounting standards in Malaysia.

The Board is responsible to ensure that the financial statements of the Group and its subsidiaries give a true and fair view of the state of affairs of the Group at the end of the financial year and of their operations and cash flows for the financial year then ended. The Audit Committee of the Board assists by scrutinizing the information to be disclosed to ensure accuracy and adequacy. A full Statement of Directors' Responsibility is enclosed in page 27 of the annual report.

(ii) Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements of the Group and of the Company are drawn up in accordance with the requirements of the Companies Act, 2016 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at the financial year end and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2017 the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensure adoption of applicable approved accounting standards; and
- Prepared the financial statements on a going concern basis, as the Board has reasonable expectations that the Group and Company have adequate resources to continue in operational existence for foreseeable future.

The Directors are responsible for ensuring that the Group and the Company maintain proper accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and which enables them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors also have the general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

(iii) Corporate Disclosure Policy and Procedures

The Board shall ensure that all communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The CEO and CFO are responsible for determining materiality of information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of necessary announcement.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

(iv) Leverage on information technology for effective dissemination of information

The Company's website, www.mclean.com.sg provides all relevant corporate information and it is accessible by the public. The Company's website includes all announcements made by the Company, Annual Reports and Group Financial Highlights.

Through the Company's website, the stakeholders are able to direct queries to the Company.

(v) Effective communication with Shareholders

The Board acknowledges the importance of accountability to its shareholders and investors. Timely releases of the financial results on a quarterly basis, press releases and announcements provide an overview of the Group's performance and operations to its shareholders.

The annual report of the Company is a key channel of communication with shareholders and investors, which highlights the corporation information and financial highlights of the Group, to facilitate shareholders' easy access to such key information.

The AGM is the primary forum for dialogue with the shareholders. At the AGM, the Chairman and Board members present the progress and performance of the business and shareholders are encouraged to participate in the question and answer session.

The Chairman informs shareholders of their right to demand a poll vote at the commencement of all general meetings of the Company. However, effective from 1 July 2016, any resolution set out in the notice of any general meeting, or in any notice of resolution which may be properly moved and is intended to be moved at any general meeting, is voted by poll.

The following are some of the channels used by the Company to disseminate information on a timely basis to the shareholders and the investing public:-

a) Annual Report communicates comprehensive information of the financial results and activities undertaken by Group;

b) Quarterly announcements and corporate disclosures to Bursa Securities are available on the website www.bursamalaysia.com;

c) Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches;

d) The Company's website provides corporate information of the Group, where information on the Company's announcements and financial information can be accessed.

The Board also recognises the need to fully disclose to shareholders all major developments in relation to the Group on a timely basis. Therefore, in addition to the mandatory disclosures requirement by Bursa Malaysia as well as other corporate disclosures, the Company also maintains a website at www.mclean.com.sg for access by the public and shareholders.

Where possible and applicable, the Group provides additional disclosure of information on a voluntary basis. The Board believes that on-going communication with shareholders is vital to shareholders and investors to make informed investment decisions.

The Board has identified the Independent Non-Executive Director, Datuk Wira Mark William Ling Lee Meng, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

Datuk Wira Mark William Ling Lee Meng can be contacted by e-mail at mark@bic.com.my.

(vi) Conduct Poll Voting at General Meetings

At the AGM of the Company held on 20 June 2017, all resolutions put forth for the shareholders' approval at the meeting were voted on by way of show of hands.

However, in line with the amendments to ACE Market Listing Requirements on poll voting effective on 1 July 2017, all the resolutions put forth for the shareholders' approval at the meeting will be voted by poll.

The Company will ensure at least one independent scrutineer is appointed to validate the votes cast at the meeting.

Further, the results of the poll voting for the general meetings will be announced to Bursa Malaysia Securities Berhad in accordance to ACE Market Listing Requirements.

COMPLIANCE STATEMENT

The Board believes that the Company has adopted the Principles and Recommendations of the MCCG 2017 in all material aspects, save as disclosed therein, for the financial year ended 31 December 2017.

This statement is made in accordance with the resolution of the Board dated 11 April 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the ACE Market requires directors of public listed companies to include a statement in the annual report with respect to the state, nature and scope of the internal control and risk management system of MClean Technologies Berhad ("MClean") for the financial year ended 31 December 2017.

Pursuant to this, the Board of Directors ("the Board") of MClean is pleased to provide its Statement on Risk Management and Internal Control, which has been prepared with reference to the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The statement below outlines the nature and scope of internal control of the MClean Group during the financial year ended 31 December 2017 up to the date of approval of this Statement.

BOARD'S RESPONSIBILITIES

The Board recognises its overall responsibility to maintain a sound risk management framework and internal control system and the need to articulating, implementing and reviewing the Company's internal control system. Periodic testing of the effectiveness and efficiency of the risk management and internal control procedures and processes are conducted to ensure that the system is viable and robust. Such system covers not only financial controls but also operational and compliance controls.

However, as there are inherent limitations in any risk management and internal control system, this system is designed to manage rather than eliminate all the risks that may impede the achievement of the Group's business objective. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error, fraud or loss.

RISK MANAGEMENT SYSTEM

Key Management staff and Heads of Department are delegated with the responsibility of identifying and managing risks related to their functions/ departments. At the periodic management meetings, such risks identified and related internal controls are communicated to Senior Management. Significant risks identified are brought to the attention of the Board at their scheduled meetings. These significant risks and its latest update are also brought to the attention of the Board members at their scheduled meetings via the Audit Committee. The Committee is responsible to review significant risks identified, measure and monitor risk at satisfactory level.

The Group has put in place a continuous, proactive and systematic control structure and process for identifying, evaluating and managing significant and various types of risks pertinent to the achievement of the Group's overall corporate objectives. The control structure and process which has been established throughout the Group is updated and reviewed from time to time to suit the changes in business environment.

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to Axcelasia Columbus Sdn. Bhd. and the internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The number of staff deployed for the internal audit reviews is ranging from 3 to 5 staffs per visit including the Engagement Partner. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia.

The Engagement Partner is Mr Mah Siew Hoong who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditor (United States) and has a Certification in Risk Management Assurance (United States).

The cost incurred for the internal audit function for the financial year under review was RM66,000. In this respect, the Board through the Audit Committee receives and reviews reports on internal control from its internal audit function.

The outsourced professional services firm reports directly to the Audit Committee, which internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework (IPPF).

Key internal controls relating to the following business units of the Group were covered during the financial year:

Entity Audited	Business Processes Audited
DWZ Industries Sdn. Bhd.	i) Inventory Management ii) Financial Statement Close Process
MClean Technologies Pte. Ltd.	i) Marketing and Business Development ii) Sales and Collection
MClean Technologies Berhad	i) Review of Related Party Transactions

During the financial year ended 31 December 2017, two (2) reviews had been performed by the outsourced professional services firm on the operations in Malaysia and Singapore. Observations from internal audits were discussed with the Senior Management and subsequently presented to the Audit Committee together with Management's response and recommendations for improvement for its review at their quarterly Audit Committee meetings. In addition, the progress of implementation of the agreed corrective actions by the Senior Management is being monitored by the Internal Auditors through follow up reviews. The results of the follow-up reviews were also reported to the Audit Committee.

Although a number of internal control weaknesses were identified, no major weaknesses that have resulted in any material losses, contingencies or uncertainties were noted.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The other key elements of the Group's risk management and internal control system are:

a) **Organisation Structure & Authorisation Procedures**

The Group maintains a well defined organisation structure with clear lines of accountability and responsibility to provide a sound framework in facilitating proper decision making at the appropriate authority levels of Management including matters that require Board's attention and approval.

b) **Monitoring and Review**

The daily running of the businesses is entrusted to the Executive Directors and their Management teams. The Executive Directors are closely involved in the management of the business and operations of the Group and report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large.

c) **Business Strategic Plan**

Any new business opportunity is reviewed diligently by the Board of Directors, taking into consideration the risks of the new business, return of investment, cash flow position of the Company, profit guarantee and pay-back period.

d) **Regular Meetings**

Management meetings are conducted regularly with the Executive Directors, Senior Management and/or Heads of Department in attendance.

e) **Periodical and Annual Budget**

A comprehensive business planning and budgeting process which establishes plans and targets for the Group, is performed on a periodic basis. The business planning process of the Group determines its business objectives, examines the Group's strengths, weaknesses, opportunities, threats and key business risks of the Group.

f) **Group Policies and Procedures**

Policies and procedures, handbook, guidelines and authority limits have been established for employees within the Group in respect of day-to-day operations.

Certain parts of the Group's operations are ISO 9001:2000 certified. Periodic ISO audits are conducted by external parties so as to ensure compliance with the standards of certification.

g) **Related Party Transactions**

Related party transactions are reviewed and monitored by the Audit Committee and presented to the Board on a periodic basis.

h) The Group's system of risk management and internal control applies principally to the Group and its subsidiaries.

REVIEW THE STATEMENT BY EXTERNAL AUDITORS

In accordance to paragraph 15.23 of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2017 and reported to the Board that they do not aware that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of the Company.

CONCLUSION

The Board had received assurance from the Chief Executive Officer and Chief Financial Officer on 11 April 2018 that the Group's internal control and risk management system are in place for the financial year ended 31 December 2017 and are operating adequately and effectively, in all materials aspects, based on the risk management framework adopted by the Company. The Board is of the view that the internal control and risk management system is satisfactory and has no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

This statement was approved by the Board of Directors on 11 April 2018.

AUDIT COMMITTEE REPORT

The principal objectives of Audit Committee are to assist the Board in discharging its duties and responsibilities in relation to corporate governance, internal control systems, management and financial reporting practices of the Company and to ensure proper disclosure to the shareholders of the Company.

The AC was established on 10 November 2010 and its composition complies with the ACE Market Listing Requirements.

MEMBERS OF THE AUDIT COMMITTEE

Chairman

Datuk Wira Mark William Ling Lee Meng - *Independent Non-Executive Director*

Members

Dr. Ho Choon Hou - *Independent Non-Executive Director*

Pang Kong Chek - *Independent Non-Executive Director*

Yeo Seow Lai - *Non-Independent Non-Executive Director*

Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members; a majority of whom shall be independent directors and all members should be non-executive directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad.

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2017, a total of five (5) meetings were held and the details of attendance of the AC Members are as follows: -

Members	Number of Meetings Attended
Datuk Wira Mark William Ling Lee Meng	5/5
Dr Ho Choon Hou	5/5
Pang Kong Chek	5/5
Yeo Seow Lai	5/5

The Group's external auditors, internal auditors and certain designated members of senior management also attended the meetings at the invitation of the Chairman of the Audit Committee. The Audit Committee shall meet with the external auditors on separate sessions without the presence of Executive Directors and Management, whenever deemed necessary and at least once a year.

The Audit Committee is guided by its terms of reference, which is available on the Company's website.

SUMMARY OF ACTIVITIES

In 2017, the Audit Committee carried out its duties in accordance with the terms of reference of the Audit Committee. The activities carried out by the Audit Committee for financial year ended 31 December 2017 are summarized as follows:

- Reviewed the unaudited quarterly results of the Group;
- Reviewed the audited financial statements of the Group, focusing particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with accounting standards and other legal requirements;
- Reviewed the Company's process of monitoring potential recurrent related party transactions entered into by the Group;
- Reviewed the internal audit plans and adequacy of coverage;
- Reviewed the external auditors' audit plan, nature and scope of the audit plan;
- Reviewed the external auditors' findings arising from audits and in particular, responses, appropriate action taken by Management;
- Held private session(s) with the external auditors without the presence of Management or Board;
- Reviewed and approved the internal audit reports on the Recurrent Related Party Transactions entered by the Company and its subsidiaries prepared by the Internal Auditor;
- Reviewed the Audit Committee Terms of Reference; and
- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control as contained in the Annual Report and recommended to the Board for approval.

INTERNAL AUDIT FUNCTION

The Company recognised that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. The internal audit function for the Group has been outsourced to an external consultant, Axcelasia Columbus Sdn. Bhd. who will perform an independent review of the Group's key processes and control system in place.

The internal audit activities have been carried out according to the internal audit plan that was approved by the Audit Committee. The Board had via the Audit Committee evaluated the effectiveness of the outsourcer by reviewing the results of its works in Audit Committee meetings.

The internal audit function shall be independent of the activities or operation it audits and reports directly to the Audit Committee. The Internal Auditors assists the Audit Committee in discharging its duties and responsibilities to provide assurance on the adequacy and effectiveness of the system of internal control by conducting independent, regular and systematic review of the internal control processes in addressing the risks identified and that established policies and procedures, applicable laws and regulations are complied with.

The Internal Auditor presented a risk-based audit plan for the year to the Audit Committee for approval. The audit plan covered the review of the adequacy of operational and accounting controls, compliance with applicable laws and regulations, established policies and procedures as well as governance processes.

During the financial year ended 31 December 2017, the Internal Auditors conducted audits of operations under the various business divisions and corporate functions. Key areas covered were:

- Inventory Management
- Financial Statement Close Process
- Marketing and Business Development
- Sales and Collection
- Review of Related Party Transactions

The Internal Auditors submits audit reports and the status of the internal audit plan for review and approval by the Audit Committee. Included in the reports are recommendations for corrective measures on risks or internal control weaknesses identified, if any, for implementation by Management. Internal audit also conducts follow-up work to check that Management has taken actions to correct deficient conditions and improve control processes. The Audit Committee monitors and reviews the effectiveness of the internal audit activities thereby ensuring that these activities contribute to the ongoing effectiveness of the system of internal control.

The Group had incurred a total amount of RM66,000 for the internal audit function for the financial year ended 31 December 2017.

This report is made in accordance with the resolution of the Board of Directors dated 11 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 2016 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

The Directors consider that, in preparing the audited financial statements for the financial year ended 31 December 2017, the Company has adopted appropriate accounting policies and applied them consistently and made judgments and estimates that are prudent and reasonable. The Directors also ensure that all applicable approved accounting standards in Malaysia and the requirements of the Companies Act, 2016 have been followed and the audited financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose reasonable accuracy at any time on the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the requirements of the Companies Act, 2016.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

2. NON-AUDIT FEES

There were audit and non-audit fees paid by the Group to the External Auditors and its affiliated company for review of Statement on Risk Management and Internal Control and provision of taxation services for the financial year ended 31 December 2017. The details of the fees are as follows:-

Audit Fees paid to:-	**RM**
- Auditors of the Company	146,000
- Other Auditors	82,064
Non Audit Fees paid to:-	
- Auditors of the Company	14,000
- Other Auditors	-

3. MATERIAL CONTRACTS

Other than the recurrent related party transactions of revenue or trading nature as disclosed under related party disclosures set out in Note 30 to the audited financial statements, there were no material contracts entered into by the Company and its subsidiaries involving Directors, Chief Executive Officer who is not a director or major shareholders' interests which were still subsisting at the end of the financial year or since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE OR TRADING NATURE

At the last AGM held on 20 June 2017, the Company had obtained a general mandate from its shareholders to enter into RRPT with a person who considered as a Related Party as defined in Rule 10.09 of ACE Market Listing Requirement ("ACE LR"). Details of the RRPT for financial year ended 31 December 2017 pursuant to Shareholders' Mandate are as follows:-

No.	Name of company	Transacting party	Nature of transactions	Estimated Value from the Existing Shareholders' Mandate (from 20/06/2017 to the date of Eighth AGM)	Actual Value transacted from 20/06/2017 (being the date of the Seventh AGM) until Latest Practicable Date
1.	DWZ Industries Sdn. Bhd. ("DWZ")	Decor Industries Pte. Ltd. ("Decor")	(i) Provision of surface treatment and finishing services by DWZ to Decor	Up to RM3.0 million	RM 1.3 million
			(ii) Provision of support services by Decor to DWZ	Up to RM1.0 million	RM 0.3 million
2.	MClean Technologies Pte. Ltd. ("MTPL")	JCS Technologies Pte. Ltd. ("JCS Tech")	Provision of technical assembly services by MTPL to JCS Tech	Up to RM20.0 million	Nil
3.	MTPL	JCS Biotech Pte. Ltd. ("JCS Biotech")	Provision of cleanroom packaging services by MTPL to JCS Biotech	Up to RM1.5 million	Nil
4.	MClean Technologies (Wuxi) Co., Ltd. ("MTWCL")	JCS Biotech	Provision of cleanroom packaging services by MTWCL to JCS Biotech	Up to RM1.5 million	Nil

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE OR TRADING NATURE (CONT'D)

No.	Name of company	Transacting party	Nature of transactions	Estimated Value from the Existing Shareholders' Mandate (from 20/06/2017 to the date of Eighth AGM)	Actual Value transacted from 20/06/2017 (being the date of the Seventh AGM) until Latest Practicable Date
5.	MClean Technologies (M) Sdn. Bhd. ("MTM")	Hui Technologies Pte. Ltd. ("Hui Tech")	Purchase of machineries for MTM's surface treatment business and precision cleaning operations	Up to RM9.0 million	RM 2.92 million

5. UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year.

6. CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to play its role as a caring corporate citizen. These initiatives undertaken include providing training and insurance coverage for all our staff and sponsoring customers' charity events. MClean has also been supporting The Adventist Nursing & Rehabilitation Centre, a registered non-profit voluntary welfare organisation. The Centre provides physiotherapy and rehabilitation to all the unfortunate victims of stroke, head and spinal injury following accidents and also all other chronic neuromuscular disorders.

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiaries are disclosed in Note 6(a) to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	(4,314,912)	(171,543)
Attributable to:-		
Owners of the Company	(3,587,555)	(171,543)
Non-controlling interests	(727,357)	-
	(4,314,912)	(171,543)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of previous financial year.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY AND SUBSIDIARIES

The Directors who held office during the financial year and up to the date of this report are as follow:-

Yeo Hock Huat
Lim Han Kiau
Datuk Wira Mark William Ling Lee Meng
Dr. Ho Choon Hou
Pang Kong Chek
Yeo Seow Lai

The Directors of subsidiaries who held office at the end of financial year and up to the date of this report are as follows :-

Chow Kok Meng, Bert
Loh Weng Yew
Chua Chee Tiong
Teoh Kim Guan
Tew Huang Ping
Quek Chin Lai
Lim King Tee
Ng Ah Kiat

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in shares and warrants of the Company and its related corporations were as follows:-

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Interest in the Company				
Direct interest				
Yeo Hock Huat	26,117,000	-	-	26,117,000
Yeo Seow Lai	600,062	-	-	600,062
Lim Han Kiau	80,000	-	-	80,000
Indirect interest				
Yeo Hock Huat	39,748,004 *	-	-	39,748,004
Yeo Seow Lai	26,517,000 **	-	-	26,517,000
Lim Han Kiau	56,845,000 ***	-	(60,000)	56,785,000

* Deemed interest by virtue of the shareholdings held by his siblings, Yeo Seow Lai (600,062 ordinary shares) and Yeo Lian Cheng (400,000 ordinary shares) in the Company, and his shareholdings in JCS Group Pte. Ltd. (38,747,942 ordinary shares) in the Company pursuant to Section 8 of the Companies Act, 2016.

** Deemed interest by virtue of the shareholdings held by her siblings, Yeo Hock Huat (26,117,000 ordinary shares) and Yeo Lian Cheng (400,000 ordinary shares) in the Company.

*** Deemed interest by virtue of the shareholdings held by his son, Lim Min Han (60,000 ordinary shares) and his sibling, Lim Choon Geok (407,000 ordinary shares) in the Company, and his indirect shareholdings in Decor Industries Pte Ltd (56,378,000 ordinary shares) in the Company pursuant to Section 8 of the Companies Act, 2016.

	Number of Warrants 2015/2020			
	At 1.1.2017	Granted	Exercised	At 31.12.2017
Direct interest				
Yeo Hock Huat	68,080	-	-	68,080
Yeo Seow Lai	144,014	-	-	144,014
Lim Han Kiau	19,200	-	-	19,200
Indirect interest				
Yeo Hock Huat	9,539,520 *	-	-	9,539,520
Yeo Seow Lai	164,080 **	-	-	164,080
Lim Han Kiau	112,080 ***	-	-	112,080

* Deemed interest by virtue of the shareholdings held by his siblings, Yeo Seow Lai (144,014 warrants) and Yeo Lian Cheng (96,000 warrants) in the Company, and his shareholdings in JCS Group Pte Ltd (9,299,506 warrants) in the Company pursuant to Section 8 of the Companies Act, 2016.

** Deemed interest by virtue of the shareholdings held by her siblings, Yeo Hock Huat (68,080 warrants) and Yeo Lian Cheng (96,000 warrants) in the Company.

*** Deemed interest by virtue of the shareholdings held by his son, Lim Min Han (14,400 warrants) and his sibling, Lim Choon Geok (97,680 warrants) in the Company.

By virtue of Yeo Hock Huat, Yeo Seow Lai and Lim Han Kiau's direct and indirect interest in the shares of the Company, they are also deemed to have interest in the shares of all subsidiary companies to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

Other that the above, no other Directors in office at the end of financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the Directors of the Company are as follows:-

	Incurred by the Company RM	Incurred by the Subsidiaries RM	Group RM
Directors' fees	274,000	-	274,000
Directors' remunerations	-	1,239,079	1,239,079

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to 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 year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the notes to financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company of which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

There were no new issuance of shares and debentures during the financial year.

WARRANTS

The movement of the warrants during the financial year is as follows:-

	Number of Units			
	At 1.1.2017	Issued	Expired	At 31.12.2017
Warrants B 2015/2020	23,175,996	-	-	23,175,996

The salient features of the Warrants B 2015/2020 are disclosed in Note 15 to the financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that 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 no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to make any provision for doubtful debts in the financial statements of the Group and of the Company or the amount written off for bad debts inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than as disclosed in Note 28 to the financial statements.

In the opinion of Directors:-

(a) no contingent liability 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, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of 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; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

There was no indemnity given to or insurance effected for the Directors and Officers of the Group and of the Company.

AUDITORS

The total amount fees paid to or receivable by the auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM112,000 and RM156,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the company.

The Auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

LIM HAN KIAU
YEO HOCK HUAT

Johor Bahru
11 April 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 37 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

LIM HAN KIAU

YEO HOCK HUAT

Johor Bahru
11 April 2018

STATUTORY DECLARATION

I, Loh Weng Yew, being the Officer primarily responsible for the financial management of MClean Technologies Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 37 to 86 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Johor Bahru in)
the State of Johor this day of)
11 April 2018)

LOH WENG YEW

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MCLEAN TECHNOLOGIES BERHAD (Incorporated in Malaysia) Company No: 893631-T

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MClean Technologies Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 86.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and of their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

The risk

Refer to Note 8 to the financial statements. We focused on this area because the Group has material amount of trade receivables that are past due but not impaired amounted to RM8,168,544. The key risk was the recoverability of billed trade receivables as management judgement is required in determining the completeness of the impairment on doubtful trade receivables and in assessing its adequacy through considering the expected recoverability of the year end trade receivables.

Our response

We have obtained an understanding of the Group's controls relating to credit control and approval process, how the Group identifies and assesses the impairment of trade receivables and how the Group makes the accounting estimates for impairment. We also reviewed the ageing analysis of trade receivables and tested the reliability thereof, assessed the recoverability of the overdue trade receivables by comparing management's view of recoverability of the overdue trade receivables to the historical patterns of receipts and reviewing receipts subsequent to the financial year end for its effect in reducing overdue trade receivables as at the financial year end.

Inventory existence and valuations

The risk

Refer to Note 7 to the financial statements. Inventories existence and valuation is a significant matter as inventories may be held for long periods of time before consumed, making it vulnerable to obsolescence, defective or theft. This could result in an overstatement of the value of the inventories if the cost is higher than its net realisable value. Furthermore, the assessment and application of inventories obsolescence provisions are subject to significant management judgement.

Our response

We have obtained an understanding on how the Group makes the accounting estimates for inventories write-down. We also attended the year-end physical inventories count to validate counts performed by the Group. Besides that, we also tested a sample of inventories to ensure that they were held at the lower of cost and net realisable value and evaluated management judgement with regards to the application of provisions to the inventories.

We have determined that there are no key audit matters to communicate in our report in relation to our audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determined those matters that were of most significant in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

MOHAMAD HEIZRIN BIN SUKIMAN
(NO.: 03046/05/2019 J)
CHARTERED ACCOUNTANT

Johor Bahru
11 April 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	28,187,778	23,284,869	-	-
Intangible assets	5	-	-	-	-
Investment in subsidiaries	6(a)	-	-	23,799,368	21,299,370
Total non-current assets		28,187,778	23,284,869	23,799,368	21,299,370
Current assets					
Inventories	7	1,777,426	800,175	-	-
Trade receivables	8	22,701,374	23,235,575	-	-
Other receivables	9	5,820,572	4,762,953	4,667	1,272,389
Amount due from subsidiaries	10	-	-	4,872,271	5,446,620
Tax recoverable		849,426	857,881	-	-
Deposits with licensed banks	11	498,866	485,802	-	-
Cash and bank balances	12	4,620,188	6,603,482	60,256	333,565
Total current assets		36,267,852	36,745,868	4,937,194	7,052,574
TOTAL ASSETS		64,455,630	60,030,737	28,736,562	28,351,944
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	13	48,114,582	44,694,500	48,114,582	44,694,500
Share premium	14	-	3,420,082	-	3,420,082
Other reserves	15	(21,753,224)	(21,455,775)	92,704	92,704
Retained earnings/(Accumulated losses)	16	4,549,398	8,136,953	(20,201,515)	(20,029,972)
		30,910,756	34,795,760	28,005,771	28,177,314
Non-controlling interests	6(d)	12,643,367	13,955,587	-	-
Total equity		43,554,123	48,751,347	28,005,771	28,177,314
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	17	837,387	734,814	-	-
Borrowings	18	20,817	70,823	-	-
Total non-current liabilities		858,204	805,637	-	-
Current liabilities					
Trade payables	19	7,924,313	4,903,570	-	-
Other payables	20	8,709,498	3,385,596	155,791	174,630
Amount due to a subsidiary	10	-	-	575,000	-
Borrowings	18	3,356,423	2,184,587	-	-
Tax payable		53,069	-	-	-
Total current liabilities		20,043,303	10,473,753	730,791	174,630
Total liabilities		20,901,507	11,279,390	730,791	174,630
TOTAL EQUITY AND LIABILITIES		64,455,630	60,030,737	28,736,562	28,351,944

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	21	59,254,752	59,340,052	715,000	2,200,000
Cost of sales		(44,903,635)	(44,118,144)	-	-
Gross profit		14,351,117	15,221,908	715,000	2,200,000
Other income		320,746	2,412,939	457,056	5,720,663
Selling and distribution expenses		(802,635)	(750,065)	-	-
Administration expenses		(16,395,697)	(12,544,041)	(922,531)	(826,662)
Other expenses		(1,213,357)	(1,476,513)	(419,268)	(4,207,298)
Finance costs		(132,511)	(177,709)	-	-
(Loss)/Profit before tax	22	(3,872,337)	2,686,519	(169,743)	2,886,703
Tax expense	23	(442,575)	(776,251)	(1,800)	(2,625)
(Loss)/Profit for the financial year		(4,314,912)	1,910,268	(171,543)	2,884,078
Other comprehensive income, net of tax					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations, net of tax		(297,449)	(56,636)	-	-
Other comprehensive loss for the financial year, net of tax		(297,449)	(56,636)	-	-
Total comprehensive (loss)/income for the financial year		(4,612,361)	1,853,632	(171,543)	2,884,078
(Loss)/Profit for the financial year attributable to:-					
Owners of the Company		(3,587,555)	858,104	(171,543)	2,884,078
Non-controlling interests		(727,357)	1,052,164	-	-
		(4,314,912)	1,910,268	(171,543)	2,884,078
Total comprehensive (loss)/income for the financial year attributable to:-					
Owners of the Company		(3,885,004)	801,468	(171,543)	2,884,078
Non-controlling interests		(727,357)	1,052,164	-	-
		(4,612,361)	1,853,632	(171,543)	2,884,078
Earnings per share attributable to the owners (sen)					
- basic	24	(2.01)	0.48		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM	Share premium RM	Merger deficit RM	Warrant reserve RM	Currency fluctuation reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group										
At 1 January 2016	44,694,500	3,420,082	(22,246,256)	5,493,104	4,700,873	(3,946,460)	1,878,449	33,994,292	14,703,423	48,697,715
Transactions with owners:-										
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(1,800,000)	(1,800,000)
Warrant expired	-	-	-	(5,400,400)	-	-	5,400,400	-	-	-
Total comprehensive income for the financial year	-	-	-	-	(56,636)	-	858,104	801,468	1,052,164	1,853,632
At 31 December 2016	44,694,500	3,420,082	(22,246,256)	92,704	4,644,237	(3,946,460)	8,136,953	34,795,760	13,955,587	48,751,347

STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company									
	Non-distributable						Distributable			
	Share capital RM	Share premium RM	Merger deficit RM	Warrant reserve RM	Currency fluctuation reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group										
At 1 January 2017	44,694,500	3,420,082	(22,246,256)	92,704	4,644,237	(3,946,460)	8,136,953	34,795,760	13,955,587	48,751,347
Transactions with owners:-										
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(585,000)	(585,000)
Subscription of shares in subsidiary by non-controlling interest	-	-	-	-	-	-	-	-	137	137
Total comprehensive loss for the financial year	-	-	-	-	(297,449)	-	(3,587,555)	(3,885,004)	(727,357)	(4,612,361)
Transition to no-par value regime on 31 January 2017	3,420,082	(3,420,082)	-	-	-	-	-	-	-	-
At 31 December 2017	48,114,582	-	(22,246,256)	92,704	4,346,788	(3,946,460)	4,549,398	30,910,756	12,643,367	43,554,123

STATEMENTS OF CHANGES IN EQUITY (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	← Non-distributable		→	Distributable	
		Share capital RM	Share premium RM	Warrant reserve RM	Accumulated losses RM	Total RM
Company						
At 1 January 2016		44,694,500	3,420,082	5,493,104	(28,314,450)	25,293,236
Warrants expired		-	-	(5,400,400)	5,400,400	-
Total comprehensive income for the financial year		-	-	-	2,884,078	2,884,078
At 31 December 2016		44,694,500	3,420,082	92,704	(20,029,972)	28,177,314
Total comprehensive loss for the financial year		-	-	-	(171,543)	(171,543)
Transition to no-par value regime on 31 January 2017		3,420,082	(3,420,082)	-	-	-
At 31 December 2017		48,114,582	-	92,704	(20,201,515)	28,005,771

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
OPERATING ACTIVITIES					
(Loss)/Profit before tax		(3,872,337)	2,686,519	(169,743)	2,886,703
Adjustments for:-					
Amortisation of intangible assets		-	700,731	-	-
Bad debts written off		36,715	198,593	-	-
Bad debts recovered		-	(138,794)	-	-
Depreciation		4,260,694	4,472,636	-	-
Dividend income		-	-	(715,000)	(2,200,000)
Excess of net fair value over acquisition cost		(32,991)	-	-	-
Loss/(Gain) on disposal of property, plant and equipment		93,309	(7,904)	-	-
Intangible asset written off		-	989,046	-	-
Impairment loss on investment in subsidiary		-	-	-	4,168,276
Impairment on doubtful receivables		-	-	-	18,480
Interest expenses		132,511	177,709	-	-
Interest income		(26,363)	(42,769)	(3,096)	(10,743)
Net unrealised loss/(gain) on foreign exchange		638,872	(310,672)	419,268	(249,996)
Reversal of impairment loss on doubtful receivables		-	-	(453,960)	(4,193,902)
Operating profit/(loss) before working capital changes		1,230,410	8,725,095	(922,531)	418,818
Changes in working capital:-					
Inventories		(879,509)	(65,775)	-	-
Payables		7,513,715	(10,561,458)	(18,839)	(34,727)
Receivables		(861,917)	4,845,417	1,267,722	(1,268,229)
Cash generated from/(used in) operations		7,002,699	2,943,279	326,352	(884,138)
Interest paid		(132,511)	(177,709)	-	-
Tax paid		(278,478)	(1,385,307)	(1,800)	(2,953)
Net cash from/(used in) operating activities		6,591,710	1,380,263	324,552	(887,091)
INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash acquired	6(c)	89,276	-	-	(2)
Additional investment in a subsidiary		-	-	(2,499,998)	-
Interest received		26,363	42,769	3,096	10,743
Purchase of property, plant and equipment	**A**	(9,370,550)	(3,726,163)	-	-
Proceeds from disposal of property, plant and equipment		120,941	117,513	-	-
Dividend paid to non-controlling interest		(585,000)	(1,800,000)	-	-
Dividend received		-	-	715,000	2,200,000
Net cash (used in)/from investing activities		(9,718,970)	(5,365,881)	(1,781,902)	2,210,741
FINANCING ACTIVITIES					
Account receivable financing drawndown		1,247,800	619,780	-	-
Advances/(Repayment to) from subsidiaries		-	-	1,184,041	(2,749,302)
Subscription of shares in subsidiary by non-controlling interest		137	-	-	-
Repayment of term loan		-	(1,494,012)	-	-
Repayment of account receivable financing		-	(1,084,615)	-	-
Repayment of finance lease liabilities		(50,006)	(29,171)	-	-
Net cash from/(used in) financing activities		1,197,931	(1,988,018)	1,184,041	(2,749,302)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH AND CASH EQUIVALENTS					
Net changes		(1,929,329)	(5,973,636)	(273,309)	(1,425,652)
Brought forward		7,089,284	12,974,150	333,565	1,759,217
Effects of exchange translation differences on cash and cash equivalents		(40,901)	88,770	-	-
Carried forward	B	5,119,054	7,089,284	60,256	333,565

NOTE TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Group

Purchase of property, plant and equipment with aggregate cost of RM9,370,550 (2016: RM3,876,163) of which RMNil (2016: RM150,000) was acquired by means of finance lease. Cash payment of RM9,370,550 (2016: RM3,726,163) was made to purchase the property, plant and equipment.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:-

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash and bank balances	4,620,188	6,603,482	60,256	333,565
Deposits with licensed banks	498,866	485,802	-	-
	5,119,054	7,089,284	60,256	333,565

As disclosed in Note 11 to the financial statements, the above deposits with licensed banks are pledged for bank guarantee facilities granted to a subsidiary and hence, are not available for general use. However, the Group has determined that the said deposits with licensed banks meet the definition of cash and cash equivalents and form part of the component of cash and cash equivalents.

As disclosed in Note 12 to the financial statements in prior financial year, deposits amounted to approximately RM323,215 are placed as security deposit for defective products and hence, are not available for general use.

Reconciliation of liabilities arising from financing activities

	1 January 2017 RM	Cash flows RM	Foreign exchange movement RM	31 December 2017 RM
Group				
Loans and borrowings				
- Finance lease liabilities	120,829	(50,006)	-	70,823
- Borrowings	2,134,581	1,247,800	(75,964)	3,306,417
Total liabilities from financing activities	2,255,410	1,197,794	(75,964)	3,377,240

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at 2, Woodlands Sector 1 #01-22, Singapore 738068. The registered office of the Company is located at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor.

The Company is principally an investment holding company. The principal activities of the subsidiaries are disclosed in Note 6(a) to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 April 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, unless otherwise indicated in the summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured on the assumptions that market participants would act in their economic best interest when pricing the asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Directors has overall responsibility for overseeing all significant fair value measurements. The Directors regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new and revised MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company.

Several other amendments are effective for the first time in financial year ended 31 December 2017. However, they do not impact the annual financial statements of the Group and of the Company except for:-

<u>Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative</u>

The Group has applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information are provided in the notes to statements of cash flows. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Malaysian Accounting Standards Board ("MASB") has approved certain new standards, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group and the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the relevant new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:-

IC Interpretation 22 Foreign currency transactions and advance consideration

This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. IC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018. The adoption of these IC Interpretation is not expected to have any financial impact on the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

MFRS 9 Financial Instruments (cont'd)

The Group and the Company plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group and the Company have performed a detailed impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in year 2018 when the Group and the Company will adopt MFRS 9. Overall, the Group and the Company expect no significant impact on their statements of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. In addition, the Group and the Company will implement changes in classification of certain financial instruments.

(a) **Classification and measurement of financial assets**

The Group and the Company do not expect a significant impact on their statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(b) **Impairment**

MFRS 9 requires the Group and the Company to record expected credit losses on all of its receivables, either on a 12-month or lifetime basis. The Group and the Company do not expect any impact on their statements of financial position or equity on record expected credit losses.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS, including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of MFRS 15 will result in a change in accounting policy. Overall, the Group expect no significant financial impact on its statements of financial position.

(a) **Sale of goods**

Contracts with customers in which the sales of surface finishing of metal parts for electrical and electronics industries is generally expected to be the only performance obligation is not expected to have any impact on the Group's and the Company's profit or loss. The Group and the Company expect the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to MFRS 15, the Group and the Company consider variable consideration of the sales transaction. Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group and the Company recognise revenue from the sale of surface finishing of metal parts measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group and the Company defer revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under MFRS 15 and will be required to be estimated at contract inception.

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group and the Company continue to assess individual contracts to determine the estimated variable consideration and related constraint.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

(b) **Rendering of services**

The Group and the Company involve in providing precision cleaning, cleanroom assembly services and other related services mainly to hard disk industry. These services are sold either on their own in contracts with the customers or bundled together with the sale of cassette products to a customer. Currently, the Group and the Company account for the cassette products and services as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group and the Company recognise service revenue by reference to the stage of completion. Under MFRS 15, allocation will be made based on relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales may be impacted. The Group and the Company have preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group and the Company. Consequently, the Group and the Company would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

The Group and the Company have performed an initial assessment on these transactions and do not expect that there will be any significant impact on their consolidated financial statements.

(c) **Presentation and disclosure requirements**

MFRS 15 provides presentation and disclosure requirements, which are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's and the Company's financial statements. Many of the disclosure requirements in MFRS 15 are completely new. The Group and the Company are in the progress of developing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies MFRS 15.

The Group and the Company plan to access the potential effect of MFRS 16 on their consolidated financial statements in year 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements

Accounting estimates and judgements are being constantly reviewed against historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. However, because of uncertainty in determining future events and its impact, actual result could differ from the estimates reported.

Key sources of estimation uncertainty

Key assumptions concerning the future and accounting estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Useful lives of depreciable assets

The management estimates the useful lives of the property, plant and equipment to be within 1 to 50 years and reviews the useful lives of depreciable assets at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and developments, which resulting in adjustment to the Group's assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation and hence it would not result in material variance in the Group's loss for the financial year.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in future.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors such as probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments are considered in determining whether there is objective evidence of impairment. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management make assumptions about future operating results. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is difference from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

Significant management judgement

The following is significant management judgement in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy in Note 3.3 to the financial statements. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied to financial statements for the periods presented, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group and the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements, or by holding substantive potential voting rights.

Consolidation of a subsidiary begins when the Group or the Company obtains control over the subsidiary and ceases when control over the subsidiary is lost.

Investment in subsidiaries is stated at cost and/or valuation in the Company's statement of financial position. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount. Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

Merger method

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been affected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves. This is not applicable to MClean Technologies (Wuxi) Co., Ltd., MClean Technologies (M) Sdn. Bhd., DWZ Industries Sdn. Bhd., DWZ Industries (Johor) Sdn. Bhd., Sonic Clean Pte. Ltd., MClean Cloud Logistic Pte. Ltd. and MClean Technologies (Thailand) Company Limited which accounted for under acquisition method.

Acquisition method

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

3.1.3 Business combinations and goodwill

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date's fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Loss of control

When the Group ceases to have control of a subsidiary, the Group derecognises the assets and liabilities, non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if that results in a deficit balance.

3.2 Property, plant and equipment and depreciation

3.2.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to a property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing property, plant and equipment, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated assets are retained in the books of accounts until they are no longer in use.

3.2.2 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed separately and if a component has useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready to use.

No depreciation is provided on freehold land as it has indefinite life.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment and depreciation (cont'd)

3.2.2 Depreciation (cont'd)

Depreciation of property, plant and equipment is computed over estimated useful life shown below:-

	Estimated useful lives
Freehold buildings	50 years
Computers	3 years
Plant and machinery	3 – 10 years
Office equipment	1 – 10 years
Motor vehicles	10 years
Renovation	5 – 10 years
Electrical fittings, furniture and fittings	5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

3.3 Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing and write down immediately to their recoverable amount where an indication of impairment exists, in accordance with MFRS 136. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, on the opinion of the Directors, no further future economic benefits are expected to arise.

Customers list

Costs relating to purchased cleanroom assembly services customers list are capitalised and amortised on a straight-line basis over their useful life of 4 years.

Development cost

Development cost relates to the development of new cleaning techniques to penetrate new customers.

Development cost is expensed in the period in which they are incurred except when the costs incurred on development project are recognised as development cost to the extent that such expenditure is expected to generate future economic benefits.

Development cost initially recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development cost are recorded as intangible assets and amortised from the point at which the asset is ready for use, on a systematic basis over their expected useful lives, not exceeding 5 years.

Clean bulk pack development cost

Development cost arising from development expenditure on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Deferred development costs that have a finite useful life are amortised over the period of expected sales from the related project on a straight-line basis. Amortisation of clean bulk pack development costs over their expected useful lives, not exceeding 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Related parties

A related party is a person or entity that is related to the Group and to the Company and they could be:-

(a) A person or a close member of that person's family is related to the Group if that person:-

(i) Has control or joint control over the Group;
(ii) Has significant influence over the Group; or
(iii) Is a member of the key management personnel of the Company, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same group.
(ii) The entity is an associate or joint venture of the Group.
(iii) Both the Group and the entity are joint ventures of the same third party.
(iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
(v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
(viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of consumables goods is determined using the first-in-first-out method which include direct materials and appropriate proportion of overheads.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs necessary to make the sale.

3.6 Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.7 Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are initially recognised at fair values, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial assets (cont'd)

The Group and the Company do not have any investments and accordingly, there are no investments to be classified at fair value through profit and loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group and the Company provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current.

Loan and receivables include trade and other receivables, related party balances and deposits with licensed banks. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the assets have been impaired, the financial assets are measured at the present value to the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the profit of loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8 Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, bank balances, short term demand deposits, fixed deposits, bank overdrafts and short-term placements which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the statements of financial position. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.9 Financial liabilities

The Group's and the Company's financial liabilities include trade payables, other payables, borrowings and related party balances.

Financial liabilities are recognised when the Group and the Company become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the profit or loss, if any. Financial liabilities are derecognised if the Group's and Company's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables and related party balances are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

3.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that is not explicitly specific in an arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Leases (cont'd)

3.10.1 Finance lease

Lease of property, plant and equipment acquired under hire purchase and finance lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and to the Company are capitalised. The depreciation policy on these assets is similar to that of the Group's and the Company's property, plant and equipment depreciation policy.

Outstanding obligation due under hire purchase and finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase and finance lease arrangements are allocated to profit or loss over the period of the respective agreements.

3.10.2 Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3.12 Provisions

Provisions are recognised if, as a result of past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.13 Income taxes

Income tax comprises of current tax and deferred tax but exclude taxes arising from business combinations and items recognised directly in equity or other comprehensive income. Current and deferred tax are recognised as an expense or income in the profit or loss.

3.13.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Tax payable (recoverable) for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Income taxes (cont'd)

3.13.2 Deferred tax

Deferred tax are provided for under liability method in respect of temporary differences between carrying amount of an asset or liability in the statements of financial position and its tax base at reporting date. However, deferred tax on temporary difference arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination is not recognised because they affect neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group and the Company expect, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax credit and tax carried forward losses can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to offset against part or the entire deferred tax asset, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as deferred tax asset to the extent that it is probable that the future taxable profits will be available to offset against the unutilised tax incentive credit.

3.13.3 Direct tax

Value-added tax ("VAT") and Goods and Services Tax ("GST") are consumption tax based on value-added concept. VAT and GST are imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services.

The Group's and the Company's domestic sale of goods in the People's Republic of China ("PRC"), Singapore and Malaysia are subjected to VAT and GST at the applicable tax rate of 17%, 7% and 6% respectively. Input tax on purchases can be deducted from output VAT/GST.

Revenues, expenses and assets are recognised net of amount of VAT/GST except:

- where the taxes incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the taxes are recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of taxes included.

The net amount of VAT/GST recoverable from, or payable to, the authority is included as part of "other receivables" or "other payables" in the statements of financial position.

3.14 Employee benefits

3.14.1 Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

3.14.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into independent entities of funds and will have no legal or constructive obligations to pay further contribution if any of the funds do not hold sufficient assets to pay all employees benefits relating to employee services in the current and preceding financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

3.14.2 Defined contribution plans (cont'd)

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes.

Obligations for contributions to defined contribution plans are recognised as expenses in the profit or loss as incurred.

3.14.3 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Directors are considered as key management personnel.

3.14.4 Retirement benefits scheme

Pursuant to the relevant regulations of PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There is no provision under the Scheme whereby forfeited contributions may be used to reduce future contributions.

3.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset be impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial asset has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and the impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.16 Impairment of non-financial assets

The carrying amounts of the Group's and of the Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.16 Impairment of non-financial assets (cont'd)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of modules relating to technical assembly services is recognised when the Group has installed the parts into the customers' machines or has delivered the modules to location specified by its customers and the customers have accepted the parts in accordance with the service agreements.

Revenue from the rendering of services is recognised when services are rendered and accepted by customers.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income and other income from investments are recognised in profit or loss when right to receive payment is established.

3.18 Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into the functional currency at rates of exchange closely approximating those ruling at reporting date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial statements of foreign subsidiaries are translated at year-end exchange rates with respect to assets and liabilities. All resulting translation differences are included in the exchange fluctuation reserve in shareholders' equity. Operating results are translated to RM at average exchange rates during the financial year.

On disposal of a foreign entity, the cumulative amount of exchange differences deferred in equity relating to that foreign entity is recognised in profit or loss as a component of gain or loss on disposal. All other foreign exchange differences are taken to the profit or loss in the financial year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Equity, reserves and distributions to owners

(i) Share capital and share premium

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary share are recognised in equity in the period in which the are approved for payment.

The transaction cost of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from share premium.

With the Companies Act, 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium and capital redemption reserve accounts, has been transferred to the share capital account. Pursuant to subsection 618 (3) and 618 (4) of the New Act, the Group and the Company may exercise its right to use the credit amounts being transferred from share premium and capital redemption reserve accounts within 24 months after the commencement of the New Act.

Unappropriated profits include current and prior period unappropriated profit.

All transactions with owners of the Company are recorded separately within equity.

(ii) Warrant reserve

The fair value of the warrants arising from the issuance of warrants, net of issue costs, are credited to warrant reserve which is non-distributable. Warrant reserve is transferred to the accumulated losses upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to accumulated losses.

(iii) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary companies established in the PRC are required to transfer 10% of its profit after tax prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the registered capital of the subsidiaries in PRC. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries in PRC, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

3.20 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.21 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29 to the financial statements, including factors used to identify the reportable segments and the measurement basis of segment information.

3.22 Intersegment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are on negotiated basis. These transfers are eliminated on consolidation.

3.23 Dividends

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Freehold buildings RM	Motor vehicle RM	Plant and machinery RM	Renovation RM	Office equipment, electrical fittings, and furniture and fittings RM	Computer RM	Total RM
Cost								
At 1 January 2016	7,178,000	4,312,000	459,075	31,216,753	5,480,688	14,380,515	752,133	63,779,164
Additions	-	-	216,459	934,424	482,279	2,190,615	52,386	3,876,163
Disposal	-	-	-	-	-	(597,860)	-	(597,860)
Currency translation differences	-	-	(2,434)	4,605	(65,665)	87,167	10,012	33,685
At 31 December 2016	7,178,000	4,312,000	673,100	32,155,782	5,897,302	16,060,437	814,531	67,091,152
Additional through acquisition of subsidiary	-	-	-	4,923,722	2,775,928	1,322,565	183,717	9,205,932
Additions	-	-	-	7,352,083	831,963	1,115,141	71,363	9,370,550
Disposal	-	-	-	(1,176,834)	-	-	-	(1,176,834)
Currency translation differences	-	-	(3,782)	(689,013)	(211,721)	(434,835)	(16,264)	(1,355,615)
At 31 December 2017	7,178,000	4,312,000	669,318	42,565,740	9,293,472	18,063,308	1,053,347	83,135,185

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd)	Freehold land RM	Freehold buildings RM	Motor vehicle RM	Plant and machinery RM	Renovation RM	Office equipment, electrical fittings, and furniture and fittings RM	Computer RM	Total RM
Accumulated depreciation								
At 1 January 2016	-	86,240	394,769	26,323,386	4,959,805	7,288,767	603,106	39,656,073
Charge for the financial year	-	86,240	42,258	2,468,602	243,169	1,577,322	55,045	4,472,636
Disposal	-	-	-	-	-	(488,251)	-	(488,251)
Currency translation differences	-	-	(204)	156,691	(66,063)	66,805	8,596	165,825
At 31 December 2016	-	172,480	436,823	28,948,679	5,136,911	8,444,643	666,747	43,806,283
Additional through acquisition of subsidiary	-	-	-	4,689,361	2,775,928	1,319,820	167,517	8,952,626
Charge for the financial year	-	86,240	60,663	2,680,040	271,172	1,092,070	70,509	4,260,694
Disposal	-	-	-	(961,985)	-	-	-	(961,985)
Currency translation differences	-	-	(2,504)	(647,543)	(208,108)	(237,310)	(14,746)	(1,110,211)
At 31 December 2017	-	258,720	494,982	34,708,552	7,975,903	10,619,223	890,027	54,947,407
Net carrying amount								
31 December 2017	7,178,000	4,053,280	174,336	7,857,188	1,317,569	7,444,085	163,320	28,187,778
31 December 2016	7,178,000	4,139,520	236,277	3,207,103	760,391	7,615,794	147,784	23,284,869

The net carrying amount of property, plant and equipment of the Group which are under finance lease agreement amounted to RM147,914 (2016: RM191,205). Leased assets are pledged as security for the related finance lease liabilities.

5. INTANGIBLE ASSETS

	Group			
	Development cost RM	Customers list RM	Clean bulk pack development cost RM	Total RM
Cost				
At 1 January 2016	1,983,966	977,754	2,516,454	5,478,174
Written off	-	(960,720)	(2,472,614)	(3,433,334)
Currency translation differences	(48,452)	(17,034)	(43,840)	(109,326)
At 31 December 2016/31 December 2017	1,935,514	-	-	1,935,514
Accumulated amortisation				
At 1 January 2016	1,785,568	957,449	1,006,582	3,749,599
Amortisation during the financial year	186,257	19,951	494,523	700,731
Written off	-	(960,719)	(1,483,569)	(2,444,288)
Currency translation differences	(36,311)	(16,681)	(17,536)	(70,528)
At 31 December 2016/31 December 2017	1,935,514	-	-	1,935,514
Carrying amount				
At 31 December 2017	-	-	-	-
At 31 December 2016	-	-	-	-

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	46,786,498	44,286,500
Less: Impairment losses		
Brought forward	(22,987,130)	(18,818,854)
Charge for the financial year	-	4,168,276
Carried forward	(22,987,130)	(22,987,130)
	23,799,368	21,299,370

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) The particulars of the subsidiary companies are as follows:-

Name of companies	% effective equity interest 2017	2016	Principal activities	Country of incorporation
* MClean Advance Carrier Pte. Ltd. ("MAC")	100	100	Investment holding company.	Singapore
* MClean Precision Pte. Ltd. ("MPP") (formerly known as Magnetronics Technology Pte. Ltd.)	100	100	Investment holding company and to provide washing, assembling and sorting services for electronic components and sales of electronic components.	Singapore
DWZ Industries Sdn. Bhd. ("DWZ")	55	55	Provide surface treatment and finishing specialist for electrical and electronic industries.	Malaysia
MClean Technologies (M) Sdn. Bhd.	100	100	Provide surface treatment and related services such as surface finishing, precision cleaning and packaging services.	Malaysia
Held by MAC				
* MClean Cloud Logistic Pte. Ltd. ("MCL")	55	-	Supply chain and time to market delivery solution.	Singapore
Held by DWZ				
DWZ Industries (Johor) Sdn. Bhd. ("DWZ Johor")	55	55	Provide surface treatment and finishing specialist for electrical and electronic industries.	Malaysia
Held by MPP				
#* MClean Technologies Pte. Ltd. ("MClean Singapore")	100	100	Provide precision cleaning, assembly services, other related services to hard disk drive industry.	Singapore
Held by MClean Singapore				
#* MClean Technologies (Wuxi) Co., Ltd. ("MClean Wuxi")	100	100	Provide precision cleaning and assembly services, clean bulk packing services and other related services.	People's Republic of China
* Sonic Clean Pte. Ltd. ("SCPL")	100	-	Provide precision cleaning, assembly services, and other related service to hard disk drive industry.	Singapore
* MClean Technologies (Thailand) Company Limited ("MTTCL")	100	-	Provide precision cleaning, assembly services and other related services to hard disk drive industry.	Thailand

* Audited by a firm other than Grant Thornton Malaysia.

\# Component audit has been carried out by Grant Thornton Malaysia for the purposes of enabling to form a group opinion.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Internal restructuring

On 11 July 2016, MAC has entered into a share sale agreement with MClean Singapore to carry out an internal group restructuring. Upon completion, MClean Wuxi has become a wholly-owned subsidiary of MClean Singapore from MAC.

(c) Incorporation and acquisition of subsidiaries

2017

On 19 June 2017, MAC incorporated a new subsidiary in Singapore, namely MCL as its 55% owned subsidiary.

MClean Singapore had, on 17 March 2017 incorporated a new subsidiary in Thailand, namely MTTCL as its 100% wholly owned subsidiary for a cash consideration of THB16 million (equivalent to approximately RM2,000,000). On 1 December 2017, MTTCL had obtained approval from Board of Investment of Thailand to commence business operation.

The net assets of MCL and MTTCL as at the date of incorporation is the same as the cash consideration.

On 31 August 2017, MClean Singapore had completed the acquisition of 100% equity interest in SCPL for a total cash consideration of SGD2.00 (equivalent to approximately RM6.00).

Impact of the acquisition on the consolidated statements of profit or loss and other comprehensive income

From the date of acquisition, SCPL has contributed RM1,170,511 and RM82,183 to the Group's revenue and loss after tax respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and loss after tax would have been increased by RM3,262,694 and RM833,683 respectively.

Acquisition related costs

The Group incurred acquisition related cost of RM204,897 on legal fees and due diligence fees. These costs have been charged as administration expenses.

The fair values of identifiable assets and liabilities of SCPL as at the date of acquisition were as follows:-

	2017 RM
Non-current asset	
Property, plant and equipment	253,306
Current assets	
Inventories	147,348
Trade receivables	989,784
Other receivables	416,037
Cash and bank balances	757,622
Total assets	2,564,097

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Incorporation and acquisition of subsidiaries (cont'd)

2017 (cont'd)

The fair values of identifiable assets and liabilities of SCPL as at the date of acquisition were as follows:-

	2017 RM
Non-current liabilities	
Deferred tax liabilities	(43,621)
Current liabilities	
Trade payables	(129,036)
Other payables	(2,272,556)
Tax payable	(87,034)
	(2,532,247)
Fair value of identifiable assets acquired	31,850
Less: excess of fair value over acquisition cost	(31,844)
Consideration paid in cash	6
Less: cash and bank balances	(757,622)
Cash inflow on the acquisition of subsidiary	(757,616)

2016

On 20 June 2016, the Company had completed the acquisition of 100% equity interest in MClean Technologies (M) Sdn. Bhd. for a total cash consideration of RM2.00.

The net assets of MClean Technologies (M) Sdn. Bhd. as at the date of acquisition is the same as the cash consideration.

(d) Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests are as follows:-

	DWZ Group		MCL	
	2017 RM	2016 RM	2017 RM	2016 RM
Percentage of ownership interest and voting interest (%)	45%	45%	45%	45%
Carrying amount of non-controlling interest	12,644,606	13,955,587	(1,239)	-
(Loss)/Profit allocated to non-controlling interests	(725,981)	1,052,164	(1,376)	-

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Non-controlling interest in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:-

	DWZ Group		MCL	
	2017 RM	2016 RM	2017 RM	2016 RM
Summary of financial position				
Non-current assets	15,694,678	15,121,874	-	-
Current assets	19,288,120	19,274,074	26,502	-
Non-current liabilities	(858,204)	(805,637)	-	-
Current liabilities	(6,025,472)	(2,577,896)	(164,360)	-
Net assets/(liabilities)	28,099,122	31,012,415	(137,858)	-
Summary of financial performance				
Total comprehensive (loss)/income for the financial year	(1,613,293)	2,338,142	(3,057)	-
Included in the total comprehensive income is:				
Revenue	21,817,649	22,437,141	-	-
Summary of cash flows				
Net cash inflow from operating activities	2,642,344	379,511	-	-
Net cash outflow used in investing activities	(2,017,219)	(1,191,684)	-	-
Net cash outflow used in financing activities	(1,355,032)	(5,123,911)	304	-
Net cash (outflow)/inflow	(729,907)	(5,936,084)	304	-
Other information				
Dividends paid to non-controlling interests	585,000	1,800,000	-	-

(e) Significant restrictions

Cash and bank balances of RM1,177,984 (2016: RM2,102,341) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(f) Investment in subsidiaries that are impaired as at reporting date related to those subsidiaries that are having net assets lower than cost of investment.

7. INVENTORIES

	Group	
	2017 RM	2016 RM
Consumable goods	1,777,426	800,175

	Group	
	2017 RM	2016 RM
Recognised in profit or loss:-		
Inventories recognised as cost of sales	31,336,538	32,726,543

8. TRADE RECEIVABLES

(a) The normal trade credit terms granted by the Group to the trade receivables ranging from 30 to 90 days (2016: 30 to 90 days). The Group determines concentration of credit risk by comparing the amount due from each individual customer against the total trade receivables.

(b) The credit risk concentration profile of the Group's trade receivables as at the reporting date are as follows:-

	Group			
	2017		2016	
	RM	%	RM	%
Top 3 customers	4,938,234	22	12,995,881	56

(c) The ageing analysis of trade receivables of the Group are as follows:-

	2017 RM	2016 RM
Within credit terms	14,532,831	17,194,249
Past due 1-30 days but not impaired	3,656,969	3,496,028
Past due 31-60 days but not impaired	1,805,817	921,825
Past due more than 60 days but not impaired	2,705,758	1,623,473
Total trade receivables	22,701,374	23,235,575

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are due from creditworthy customers with good payment records with the Group. None of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group have trade receivables amounting to RM8,168,544 (2016: RM6,041,326) that are past due as at the reporting date but not impaired. The Directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers. These receivables are unsecured.

Receivables that are impaired

There are no trade receivables of the Group that are impaired.

(d) Currency exposure profile of trade receivables denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group	
	2017 RM	2016 RM
Singapore Dollar ("SGD")	826,261	176,606
United States Dollar ("USD")	4,983,187	3,861,987

(e) Included in trade receivables of the Group is an amount of RM231,541 (2016: RM7,456,542) due from a corporate shareholder. The said amount is unsecured, bears no interest and repayable on demand.

9. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-trade receivables	2,452,545	2,501,522	-	1,266,022
Deposits	1,311,216	974,716	-	-
Deposit for purchase of property, plant and equipment	-	645,465	-	-
Prepayment	868,847	519,305	4,667	6,367
Small and medium entity tax incentive receivable	129,455	44,410	-	-
GST/VAT receivables	1,058,509	77,535	-	-
	5,820,572	4,762,953	4,667	1,272,389

In prior financial year, included in non-trade receivables of the Group is an amount due from a corporate shareholder amounted to RM1,266,022 which is unsecured, bears no interest and repayable on demand.

Currency exposure profile of other receivables denominated in currency other than the respective functional currency of the Group's entities is as follows:-

	Group	
	2017 RM	2016 RM
Renminbi ("RMB")	-	121,821

10. AMOUNT DUE FROM/TO SUBSIDIARIES

(i) The amount due from subsidiaries is non-trade related, unsecured, bears no interest and repayable on demand:-

	Company	
	2017 RM	2016 RM
Amount due from subsidiaries	4,872,271	5,900,580
Less: Impairment loss		
Brought forward	453,960	4,629,382
Charge for the financial year	-	18,480
Reversal of impairment loss	(453,960)	(4,193,902)
Carried forward	-	453,960
Net	4,872,271	5,446,620

(ii) In prior financial year, impairment loss of RM18,480 has been made due to the subsidiary had insufficient net assets.

Impairment loss on doubtful receivable was reversed during the financial year due to the subsidiary's net assets is able to support the amount due.

10. AMOUNT DUE FROM/TO SUBSIDIARIES (CONT'D)

(iii) Currency exposure profile of amount due from subsidiaries denominated in currencies other than functional currency of the subsidiary is as follows:-

	Company	
	2017 RM	2016 RM
USD	3,957,712	4,371,868

(iv) Amount due to a subsidiary is non-trade related, unsecured, bears no interest and repayable on demand.

11. DEPOSITS WITH LICENSED BANKS

The entire deposits with licensed banks of the Group are pledged as a security for bank guarantee facility granted to a subsidiary and out of these deposits, an amount of RM496,588 (2016: RM482,527) is held in trust in the name of a Director of the Company and a director of that subsidiary. However, the said fixed deposits have been changed to the subsidiary's name subsequently.

The average effective interest rates per annum for deposits with licensed banks of the Group ranging from 2.90% to 3.20% (2016: 2.90% to 3.30%).

The deposits with licensed banks are on fixed rate basis and will mature within 12 months (2016: 2 months to 12 months) period.

12. CASH AND BANK BALANCES

Currency exposure profile of cash and bank balances denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group	
	2017 RM	2016 RM
USD	594,528	1,209,533
SGD	5,300	9,925

In prior financial year, included in the cash and bank balances of the Group, there was an amount of approximately RM323,215 which served as security deposit for defective products.

Included in the cash and bank balances of the Group, there is an amount denominated in RMB of RM1,177,984 (2016: RM2,102,341). The RMB is not freely convertible into foreign currencies. Under the People's Republic of China Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

13. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares	RM	No. of shares	RM
Issued and fully paid up:-				
Ordinary shares				
At 1 January	178,778,000	44,694,500	178,778,000	44,694,500
Transfer from share premium pursuant to Section 618 (2) of the Companies Act, 2016*	-	3,420,082	-	-
At 31 December	178,778,000	48,114,582	178,778,000	44,694,500

* The new Companies Act, 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital, par value of share capital, share premium and capital redemption reserve.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual value.

14. SHARE PREMIUM

With the new Companies Act, 2016 ("New Act") came into effect on 31 January 2017, the credit standing in the share premium account of the Company of RM3,420,082 has been transferred to the share capital account. Pursuant to subsection 618 (3) and 618 (4) of the New Act, the Company and the subsidiary may exercise their rights to use the credit amounts being transferred from the share premium account within 24 months after the commencement of the New Act.

15. OTHER RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Warrant reserve	92,704	92,704	92,704	92,704
Currency fluctuation reserve	4,346,788	4,644,237	-	-
Merger deficit	(22,246,256)	(22,246,256)	-	-
Other reserve	(3,946,460)	(3,946,460)	-	-
	(21,753,224)	(21,455,775)	92,704	92,704

<u>Warrant reserve</u>

The main features of the warrants are as follows:-

	Tenure (years)	Issue Date	Expiry date	Exercise Price (RM)
Warrants A 2011/2016	5	12 October 2010 and 10 May 2011	9 May 2016	0.52
Warrants B 2015/2020	5	15 October 2015	7 October 2020	0.25

15. OTHER RESERVES (CONT'D)

Warrant reserve (cont'd)

Warrants A 2011/2016

On 12 October 2010 and 10 May 2011, the Company issued 58,700,000 Warrants A pursuant to the followings:-

(a) Acquisition of the entire issued and paid-up share capital of MPP for a total purchase consideration of RM18,351,998 which was wholly satisfied through the issuance of 61,999,992 new MClean Shares and the issuance of 30,999,996 warrants at an exercise price of RM0.52 each.

(b) Acquisition of the entire issued and paid-up share capital of MAC for a total consideration of RM11,840,000 which was wholly satisfied through the issuance of 40,000,000 new MClean Shares and issuance of 20,000,004 warrants at an exercise price of RM0.52 each.

(c) Issuance of 15,400,000 new MClean Shares with 7,700,000 Free Warrants allotted on the basis of one (1) Free Warrants for every two (2) New MClean Shares at an issue price of RM0.52 per MClean Share.

(d) The Warrants A 2011/2016 may be exercised at any time for a period of five years commencing from 10 May 2011 until 9 May 2016 ("exercise period"). The warrants 2011/2016 that are not exercised during the exercise period will thereafter lapse and become void.

(e) On 9 May 2016, the warrants issued by the Company had expired and no warrants being exercised during the exercise period.

Warrants B 2015/2020

On 15 October 2015, the Company issued 28,175,996 Warrants B on the basis of six free warrants for every twenty five units of ordinary shares.

The warrants may be exercised at any time during the tenure of the warrants of five (5) years including and commencing from the issue date of the warrants and ending on the expiry date. Each warrant carries the entitlement to subscribe for one (1) new ordinary share in the Company at the exercise prices stated above and shall be satisfied fully in cash and shall be subject to adjustments in accordance with the respective Deed Polls.

Subject to the provision in the respective Deed Polls, the exercise price and the number of warrants held by each warrant holder shall be adjusted by the Board of Directors of the Company in consultation with the adviser and certification of the external auditors, in the event of alteration to the share capital of the Company.

The theoretical fair value of the warrants was computed using the Black-Scholes Option Pricing Model at approximately RM0.092 per Warrants A and RM0.004 per Warrants B.

The fair value allocated to the warrants reserve is derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis.

The movement of the warrants during the financial year is as follows:-

	Warrants A 2011/2016 Units	Warrants B 2015/2020 Units	Total Units
At 1 January 2016	58,700,000	23,175,996	81,875,996
Expired	(58,700,000)	-	(58,700,000)
At 31 December 2016/ At 31 December 2017	-	23,175,996	23,175,996

15. OTHER RESERVES (CONT'D)

Currency fluctuation reserve

The currency fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Merger deficit

The merger deficit arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation.

Other reserve

Other reserve relates to fair value adjustment to the shares issued for the acquisition of subsidiaries.

16. RETAINED EARNINGS/(ACCUMULATED LOSSES)

The Company adopted the Single Tier Income Tax System in which the Company may declare the payment of the dividends out of its entire retained earnings of which subject to the availability of earnings.

17. DEFERRED TAX LIABILITIES

	Group	
	2017 RM	2016 RM
At 1 January	734,814	794,561
Transfer to profit or loss (Note 23)	102,573	(59,747)
At 31 December	837,387	734,814

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

	Group	
	2017 RM	2016 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	837,387	734,814

18. BORROWINGS

	Group	
	2017 RM	2016 RM
Current		
Secured:-		
Account receivable financing	3,306,417	2,134,581
Finance lease liabilities – within 1 year	50,006	50,006
	3,356,423	2,184,587

18. BORROWINGS (CONT'D)

	Group 2017 RM	Group 2016 RM
Non-current		
Secured:-		
Finance lease liabilities		
- after 1 year but not later than 5 years	20,817	70,823
	20,817	70,823
Total borrowings	3,377,240	2,255,410
Minimum lease payment		
Finance lease liabilities		
- within 1 year	55,032	55,032
- after 1 year but not later 5 years	22,909	77,941
	77,941	132,973
Less: Interest in suspense	(7,118)	(12,144)
	70,823	120,829

The Account Receivable Financing is charged at an effective interest rate of approximately 3.75% (2016: 3.75%) per annum.

The finance lease liabilities are charged at an effective interest rate of 3.35% (2016: 3.35%) per annum.

The banking facilities of the Group are secured against the following:-

a) Corporate guarantee of SGD3,028,000 (approximately RM9,000,000) (2016: SGD3,028,000 or approximately RM9,000,000).
b) First floating charge over the receivables of MClean Singapore.

19. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The normal credit terms granted by the trade payables ranging from 30 to 120 days (2016: 30 to 120 days).

Currency exposure profile of trade payables denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group 2017 RM	Group 2016 RM
USD	2,572	34,376
SGD	146,407	189,701
Euro Dollar ("EURO")	395,128	99,241
Thai Baht ("THB")	181,935	139,153

Included in trade payables of the Group is an amount due to a former shareholder amounted to RM607,340 which is unsecured, bears no interest and repayable on demand.

20. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-trade payables	3,209,761	663,974	43,791	-
Amount due to companies in which a Director has interest	1,473,905	323,215	-	-
Accruals of expenses	3,807,246	2,214,283	112,000	174,630
GST/VAT payable	218,586	184,124	-	-
	8,709,498	3,385,596	155,791	174,630

Amount due to companies in which a Director has interest is unsecured, bears no interest and repayable on demand.

Currency exposure profile of other payables denominated in currency other than the respective functional currency of the Group's entities is as follows:-

	Group	
	2017	2016
	RM	RM
SGD	37,830	7,081

21. REVENUE

Revenue of the Group represents invoiced sales to customers for precision cleaning of plastic and metal components, clean bulk packing services, surface treatment and finishing services of metal parts for electrical and electronic industries and related services excluding goods and services tax and value-added tax.

Revenue of the Company consists of dividend income.

22. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax has been determined after charging/(crediting), amongst other, the following items:-

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Auditors' remuneration				
- Grant Thornton Malaysia				
- statutory audit	146,000	180,000	102,000	140,000
- others	14,000	14,000	14,000	14,000
- other external auditors	82,064	52,619	-	-
Directors' fee	274,000	274,000	274,000	274,000
Rental expenses	4,285,708	3,728,503	-	-
Interest expenses				
- term loans	-	27,688	-	-
- account receivable financing	127,485	147,089	-	-
- finance lease	5,026	2,932	-	-
Loss/(Gain) on disposal of property, plant and equipment	93,309	(7,904)	-	-
Interest income	(26,363)	(42,769)	(3,096)	(10,743)
Net unrealised loss/(gain) on foreign exchange	638,872	(310,672)	419,268	(249,996)

22. (LOSS)/PROFIT BEFORE TAX (CONT'D)

Included in the employee benefit expenses is the Directors' remuneration as below:-

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Executive Directors:				
Existing Directors of the Company				
Salaries and other emoluments	917,133	573,946	-	-
Fees	48,000	48,000	48,000	48,000
Bonus	76,428	71,743	-	-
Defined contribution plans	92,977	76,137	-	-
Estimates money value of benefit-in-kind	149,736	143,486	-	-
Total Executive Directors' remunerations	1,284,274	913,312	48,000	48,000
Non-executive Directors:				
Fees	226,000	226,000	226,000	226,000
Estimates money value of benefit-in-kind	2,805	-	-	-
Total Non-executive Directors' remunerations	228,805	226,000	226,000	226,000
Total	1,513,079	1,139,312	274,000	274,000
Key management personnel:-				
Salaries and other emoluments	1,883,091	1,331,086	-	-
Defined contribution plan	123,673	77,244	-	-
Total remuneration	2,006,764	1,408,330	-	-

23. TAX EXPENSES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current year provision	192,979	813,593	2,210	2,600
Under/(Over) provision of tax in prior financial year	147,023	22,405	(410)	25
Deferred tax liabilities (Note 17)	102,573	(59,747)	-	-
	442,575	776,251	1,800	2,625

23. TAX EXPENSES (CONT'D)

The numerical reconciliation between the average effective tax rate and the statutory tax rate are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before tax	(3,872,337)	2,686,519	(169,743)	2,886,703
Tax at Malaysian statutory tax rate of 24%	(929,361)	644,765	(40,738)	692,809
Tax effects in respect of:-				
Expenses not deductible for tax	874,960	126,551	323,498	1,203,737
Expenses allowable for double deduction	(190,810)	(185,791)	-	-
Income not subject to tax	(314,581)	(503,845)	(280,550)	(1,893,946)
Deferred tax assets not recognised	298,800	225,543	-	-
Under/(Over) provision of current tax in prior financial year	147,023	22,405	(410)	25
Under provision of deferred tax in prior year	5,000	-	-	-
Different tax rates of subsidiaries in overseas	551,544	446,623	-	-
Total tax expense	442,575	776,251	1,800	2,625

(a) The Group's unabsorbed tax losses and unutilised capital allowances which can be carried forward to offset against future taxable profit amounted to approximately RM12,854,000 (2016: RM12,219,000) and RM3,467,000 (2016: RM2,007,000) respectively.

(b) Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

24. EARNINGS PER SHARE

Group

Basic earnings per share is calculated by dividing the net (loss)/profit, net of tax, for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2017 RM	2016 RM
(Loss)/Profit for the financial year attributable to owners used in the computation of basic earnings per share	(3,587,555)	858,104

	2017 Units	2016 Units
Weighted average number of ordinary shares at 1 January/31 December	178,778,000	178,778,000
Basic earnings per share (sen)	(2.01)	0.48

For the warrant-in-issue, a calculation is done to determine the number of shares that could have been acquired at market price (determined based on the average annual share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrant-in-issue. The calculation serves to determine the "unpurchased" shares to be added to the weighted average number of ordinary shares outstanding for the purposes of computing the diluted earnings per share.

Diluted earnings per share is not presented as the effect is anti-dilutive.

25. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	RM	RM
Salaries, wages and other emoluments	22,875,411	19,218,845
Defined contribution plan	1,432,198	1,243,876
Total staff costs	24,307,609	20,462,721

Included in staff costs of the Group is the Directors' emoluments of RM1,239,079 (2016: RM865,312) as disclosed in Note 22 to the financial statements.

26. DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:-

	Group	
	2017	2016
	RM	RM
Property, plant and equipment	(695,000)	155,000
Unutilised capital allowances	3,467,000	2,007,000
Unabsorbed tax losses	12,854,000	12,219,000
Others	64,000	64,000
	15,690,000	14,445,000

The unabsorbed tax losses and unutilised capital allowances are available for offset against future taxable profits of the subsidiary in which those items arose. Deferred tax assets have not been recognised in respect of unabsorbed tax losses and unutilised capital allowances as they may not be used to offset against taxable profits of that subsidiary.

27. COMMITMENTS

(a) Capital commitments

Capital expenditure not provided for in the financial statements are as follows:-

	Group	
	2017	2016
	RM	RM
Authorised and contracted for:-		
Office equipment, electrical fittings and furniture and fittings	2,757,183	133,899
Authorised but not contracted for:-		
Office equipment, electrical fittings and furniture and fittings	40,100	-
Plant and machineries	35,639	-
	75,739	133,899

27. COMMITMENTS (CONT'D)

(b) Rental commitments

The future rental expense commitments are as follows:-

	Group	
	2017 RM	2016 RM
Within one year	1,548,543	2,361,413
Between two to five years	46,800	1,607,523
	1,595,543	3,968,936

28. CONTINGENT LIABILITIES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Secured:-				
Bank guarantees given to Royal Malaysian Customs Department	437,724	392,500	-	-
Unsecured:-				
Guarantees given to licensed bank for credit facilities granted to subsidiary	-	-	3,306,417	2,134,581
	437,724	392,500	3,306,417	2,134,581

The bank guarantees given to Royal Malaysian Customs Department is secured by marginal fixed deposits placed with a subsidiary's bankers.

Material litigation

On 27 October 2016, Petronas Gas Berhad ("PGB") commenced a civil suit against DWZ Group.

In the civil suit, PGB alleged that DWZ Group had without PGB's knowledge and/or consent, entered or caused to enter into PGB's land and had unlawfully and/or wrongly built and/or installed or caused to be built or installed an illegal by-pass on the PGB's land which caused discharge of certain toxic and noxious industrial effluent onto PGB's land. It is PGB's pleaded case that the unlawful discharge of the industrial effluent onto their land caused damage to PGB's pipeline, which was found ruptured due to severe external metal loss. PGB is claiming damages in the total principal sum of RM6,634,305 together with some other reliefs.

A defence was filed by DWZ Group through its appointed solicitor on 5 December 2016. An amended defence was filed on 15 December 2016 to make some minor changes to provide more clarity to the defence. The reply to amended defence was filed on 28 December 2016.

PGB has also filed interlocutory injunction application and the hearing for the said injunction application is fixed on 8 August 2017. Subsequently, the Judge has re-fixed the hearing for the said injunction application on 20 May 2018, 24 May 2018, 6 June 2018, 7 June 2018 and from 18 June 2018 to 21 June 2018.

On 8 August 2017, the court has allowed PGB's application for an interim injunction to restrain DWZ, their employees, servants and/or agents from entering or causing to enter into PGB's land, constructing or installing or causing to be constructed or installed any form of piping or structure on PGB's land and/or further releasing or discharging or causing to release or discharge industrial effluent and/or any other effluent or substance onto PGB's land such order to subsist until 6 November 2017. The High Court has further awarded costs of RM5,000 to be paid to PGB in respect of this application. However, this injunction does not amount to final disposal of the matter. It is in effect only until 6 November 2017.

At this stage of proceedings, the evidence is not conclusive that DWZ Group is liable in respect of all or any of the claims alleged by PGB and PGB itself will still have to prove the same in the court.

29. SEGMENT INFORMATION

(i) Business segment

Management currently identifies the Group's surface treatment and precision cleaning as operating segment. This operating segment is monitored and strategic decisions is made on the basis of adjusted segment operating results. The following summary describes the operation in each of the Group's reportable segment:-

Surface treatment and precision cleaning : Surface treatment, precision cleaning, clean bulk pack and related services mainly in the hard disk drive & consumer electronics industries.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the services.

Transfer prices between operating segment is on negotiated basis.

2017	Surface treatment and precision cleaning RM	Elimination RM	Total RM
Revenue:-			
External customers	59,254,752	-	59,254,752
Inter segment	10,615,853	(10,615,853)	-
Total revenue	69,870,605	(10,615,853)	59,254,752
Results:-			
Segment profit			494,505
Interest income			26,363
Interest expenses			(132,511)
Depreciation			(4,260,694)
Tax expenses			(442,575)
Loss after tax			(4,314,912)

2016	Surface treatment and precision cleaning RM	Elimination RM	Total RM
Revenue:-			
External customers	59,340,052	-	59,340,052
Inter segment	7,199,000	(7,199,000)	-
Total revenue	66,539,052	(7,199,000)	59,340,052
Results:-			
Segment profit			7,994,826
Interest income			42,769
Interest expenses			(177,709)
Depreciation and amortisation of intangible assets			(5,173,367)
Tax expenses			(776,251)
Profit after tax			1,910,268

It was not practicable to separate out the segment assets and liabilities for its business segments as the assets and liabilities were jointly used by the business segments.

29. SEGMENT INFORMATION (CONT'D)

(ii) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	2017		2016	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia*	14,847,669	21,427,327	9,446,037	15,121,874
Singapore	30,689,019	2,046,191	39,278,562	2,131,954
People's Republic of China	12,430,147	4,714,260	9,541,810	6,031,041
Others	1,287,917	-	1,073,643	-
	59,254,752	28,187,778	59,340,052	23,284,869

* Company's home country

Non-current assets information presented above consist of the following items as presented in the statements of financial position:-

	2017 RM	2016 RM
Property, plant and equipment	28,187,778	23,284,869

(iii) Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:-

	Segment	Revenue 2017 RM	Revenue 2016 RM
Top 3 customers	Precision Cleaning	18,344,133	26,451,263

30. RELATED PARTY DISCLOSURES

(a) The transactions of the Group and of the Company with the related parties are as follows:-

Group	2017 RM	2016 RM
Dividend paid to a corporate shareholder	585,000	1,800,000
Sales to a corporate shareholder	1,979,093	9,804,875
Subcontract fee charged by a corporate shareholder	269,282	1,244,435
Purchase of property, plant and equipment from a company in which a Director has interest	2,919,744	-

Company	2017 RM	2016 RM
Dividend income from a subsidiary	715,000	2,200,000

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) The remuneration of Directors and other key management personnel are disclosed in Notes 22 and 25 to the financial statements. Other key management personnel comprise persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

(c) Outstanding balances arising from related party transactions are disclosed in Notes 8, 9, 10, 19 and 20 to the financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors meet periodically to analyse and formulate measures to manage the Group's exposure to credit risk, liquidity risk, interest rate risk and currency risk. Generally, the Group employs a conservative strategy regarding its risk management.

At reporting date, the Group's financial instruments mainly consist of cash and cash equivalents, borrowings, receivables and payables.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange except as stated below.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

It is the Group's policy to enter into transactions with diverse credit worthy counterparties.

The Group and the Company are exposed to credit risk primarily from trade and other receivables, intercompany balances and cash and bank balances with financial institutions.

The Group has concentration of credit risk and are disclosed in Note 8 to the financial statements.

Cash is held with financial institutions of good standing.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The maximum exposure to credit risk is as disclosed in Note 28 as at the reporting date. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group and the Company manage their liquidity risk by ensuring the availability of adequate funds to meet all their obligations in a timely and cost-effective manner.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities:-

	Less than 1 year RM	Between 1 to 5 years RM	More than 5 year RM	Total RM
2017				
Group				
Trade payables	7,924,313	-	-	7,924,313
Other payables	8,490,912	-	-	8,490,912
Borrowings	3,361,449	22,909	-	3,384,358
Total undiscounted financial liabilities	19,776,674	22,909	-	19,799,583
Financial guarantee*	437,724	-	-	437,724
Company				
Amount due to a subsidiary	575,000	-	-	575,000
Other payables	155,791	-	-	155,791
Total undiscounted financial liabilities	730,791	-	-	730,791
Financial guarantee*	3,306,417	-	-	3,306,417
2016				
Group				
Trade payables	4,903,570	-	-	4,903,570
Other payables	3,201,472	-	-	3,201,472
Borrowings	2,189,613	77,941	-	2,267,554
Total undiscounted financial liabilities	10,294,655	77,941	-	10,372,596
Financial guarantee*	392,500	-	-	392,500
Company				
Other payables	174,630	-	-	174,630
Total undiscounted financial liabilities	174,630	-	-	174,630
Financial guarantee*	2,134,581	-	-	2,134,581

* The exposure to liquidity risk is included for illustration purpose only as the related financial guarantee has not crystallised as at the end of the reporting period.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instrument of the Group. The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings at variable rates are exposed to the risk of change in cash flow due to changes in interest rate.

Interest rate sensitive analysis

As at financial year end, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

	Group	
	2017 RM	2016 RM
Fixed rate instruments		
Financial asset		
Deposits with licensed banks	498,866	485,802
Financial liability		
Finance lease liabilities	(70,823)	(120,829)
Net financial assets	428,043	364,973
Floating rate instrument		
Financial liability		
Borrowings	(3,306,417)	(2,134,581)
Net financial liability	(3,306,417)	(2,134,581)

The following table illustrates the sensitivity of (loss)/profit to a reasonably possible change in interest rates of +/-25 (2016: +/-25) basis point ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	2017 RM	2016 RM
Effect on profit/(loss) for the year		
+ 25bp	8,226	5,336
- 25bp	(8,226)	(5,336)

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells its products/services in Malaysia, Singapore and People's Republic of China and transacts in foreign currencies mainly USD, RMB, THB, EURO and SGD. As a result, the Group is exposed to movements in foreign currency exchange rates.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Currency risk (cont'd)

The Group monitors its currency risk closely and where appropriate, enters into currency forward contracts to manage currency exposure.

The Group does not hedge its currency risk of its investments in overseas subsidiaries. Such investments are long term in nature and therefore not feasible and economical to hedge.

The Group's currency exposure based on information provided is as follows:-

			2017		
	USD RM	THB RM	SGD RM	EURO RM	RMB RM
Financial assets					
Cash and bank balances	594,528	-	5,300	-	-
Trade receivables	4,983,187	-	826,261	-	-
	5,577,715	-	831,561	-	-
Financial liabilities					
Trade payables	(2,572)	(181,935)	(146,407)	(395,128)	-
Other payables	-	-	(37,830)	-	-
	(2,572)	(181,935)	(184,237)	(395,128)	-
Net currency exposure	5,575,143	(181,935)	(647,324)	(395,128)	-

			2016		
	USD RM	THB RM	SGD RM	EURO RM	RMB RM
Financial assets					
Cash and bank balances	1,209,533	-	9,925	-	-
Trade receivables	3,861,987	-	176,606	-	-
Other receivables	-	-	-	-	121,821
	5,071,520	-	186,531	-	121,821
Financial liabilities					
Trade payables	(34,376)	(139,153)	(189,701)	(99,241)	-
Other payables	-	-	(7,081)	-	-
	(34,376)	(139,153)	(196,782)	(99,241)	-
Net currency exposure	5,037,144	(139,153)	(10,251)	(99,241)	121,821

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Currency risk (cont'd)

Sensitivity analysis

Group

A change in the functional currency of respective subsidiaries against the foreign currency at the reporting date would have either increased or decreased the Group's (loss)/profit after tax by:-

		2017		2016	
		Loss after tax RM	Equity RM	Profit after tax RM	Equity RM
USD	- strengthened 1% (2016: 1%)	(56,000)	(56,000)	(50,000)	(50,000)
	- weakened 1% (2016: 1%)	56,000	56,000	50,000	50,000
THB	- strengthened 1% (2016: 1%)	2,000	2,000	1,000	1,000
	- weakened 1% (2016: 1%)	(2,000)	(2,000)	(1,000)	(1,000)
SGD	- strengthened 1% (2016: 1%)	6,500	6,500	100	100
	- weakened 1% (2016: 1%)	(6,500)	(6,500)	(100)	(100)
EURO	- strengthened 1% (2016: 1%)	4,000	4,000	1,000	1,000
	- weakened 1% (2016: 1%)	(4,000)	(4,000)	(1,000)	(1,000)
RMB	- strengthened 1% (2016: 1%)	-	-	(1,000)	(1,000)
	- weakened 1% (2016: 1%)	-	-	1,000	1,000

Company

The Company's currency exposure based on information provided is as follows:-

	2017 USD RM	2016 USD RM
Financial asset		
Amount due from subsidiaries	3,957,712	4,371,868

The changes in RM against the USD and SGD at the reporting date would have either increased or decreased the Company's profit/(loss) after tax by:-

		2017		2016	
		Loss after tax RM	Equity RM	Loss after tax RM	Equity RM
USD	- strengthened 1% (2016: 1%)	40,000	40,000	44,000	44,000
	- weakened 1% (2016: 1%)	(40,000)	(40,000)	(44,000)	(44,000)

32. FAIR VALUES MEASUREMENT

The carrying amounts of financial assets and financial liabilities of the Group as at the reporting date approximate their fair values due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair value hierarchy

As at the end of the reporting period, the Group and the Company have no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented.

33. CAPITAL MANAGEMENT

The Group's and the Company's objective when managing capital are:-

(a) to safeguard the Group's and the Company's ability to continue as a going concern;
(b) to support the Group's and the Company's stability and growth; and
(c) to provide capital for the purpose of strengthening the Group's and the Company's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statement of financial position.

There were no changes to the Group's approach to capital management during the financial year. The Group is not subject to externally imposed capital requirement.

LIST OF PROPERTIES

Registered owner	Location	Description/ Existing use	Date of certificate of fitness/ Year of Acquisition	Approximate age of building years/Tenure	Land/area built-up area sq.ft.	Audited net book value as at 31-Dec-17 RM '000
DWZ Industries Sdn. Bhd.	No 12, Jalan Maju 1, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Electroplating and surface treatment]	30 Jan 1999 / 9 Nov 2009	19	14,402.10	2,038
DWZ Industries Sdn. Bhd.	No 30, Jalan Maju 1, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Electroplating and surface treatment]	17 Jan 2006 / 21 Feb 2006	12	12,604.53	1,849
DWZ Industries Sdn. Bhd.	No 20, Jalan Maju 5, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Spray painting]	30 Jan 1999 / 26 Sep 2007	19	9,601.40	1,409
DWZ Industries Sdn. Bhd.	No 22, Jalan Maju 5, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Inspection, packing & storage]	30 Jan 1999 / 9 May 2011	19	9,601.40	1,390
DWZ Industries Sdn. Bhd.	No 25, Jalan Maju 5, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Electroplating and surface treatment]	30 Jan 1999 / 31 Mar 1998	19	10,505.57	1,602
DWZ Industries Sdn. Bhd.	No 27, Jalan Maju 5, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Electroplating and surface treatment]	30 Jan 1999 / 31 Mar 1998	19	8,998.62	1,377
DWZ Industries Sdn. Bhd.	No 30, Jalan Maju 5, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor Bahru, Malaysia	1 1/2 Storey Semi-Detached Factory (Freehold) [Business activities - Inspection, packing & storage]	30 Jan 1999 / 30 Jun 2011	19	10,796.20	1,566

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS
AS AT 30 MARCH 2018

Issued and fully paid-up capital	:	RM44,694,500.00 comprising 178,778,000 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	895

ANALYSIS OF SHAREHOLDINGS

Holdings	No. of holders	Total holdings	Percentage (%)
1 – 99	8	197	0.00
100 – 1,000	120	85,100	0.05
1,001 – 10,000	390	2,215,500	1.24
10,001 – 100,000	320	11,941,900	6.68
100,001 – less than 5% of issued shares	54	40,627,161	22.72
5% of issued shares and above	3	123,908,142	69.31
TOTAL	**895**	**178,778,000**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS

(Based on the Register of Substantial Shareholders)
(Holding 5% or more of the share capital)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Decor Industries Pte. Ltd.	56,378,000	31.54	-	-
JCS Group Pte. Ltd.	38,747,942	21.67	-	-
Yeo Hock Huat	26,117,000	14.61	39,748,004 [1]	22.23
Lim Han Kiau	80,000	0.04	56,785,000 [2]	31.76
DGC Holdings Pte Ltd	-	-	56,378,000 [3]	31.54

Notes:

1 Deemed interested by virtue of the shareholdings of his siblings, Yeo Seow Lai and Yeo Lian Cheng, and his shareholdings in JCS Group Pte. Ltd. pursuant to Section 8 of the Companies Act, 2016.

2 Deemed interested by virtue of the shareholdings of his sibling, Lim Choon Geok and his shareholdings in Decor Industries Pte. Ltd. pursuant to Section 8 of the Companies Act, 2016.

3 Deemed interest by virtue of its shareholding in Decor Industries Pte. Ltd. pursuant to Section 8 of the Companies Act, 2016.

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Yeo Hock Huat	26,117,000	14.61	39,748,004 [1]	22.23
Lim Han Kiau	80,000	0.04	56,785,000 [2]	31.76
Dr Ho Choon Hou	-	-	-	-
Pang Kong Chek	-	-	-	-
Dato' Mark William Ling Lee Meng	-	-	-	-
Yeo Seow Lai	600,062	0.34	26,517,000 [3]	14.83

Notes:

1 Deemed interested by virtue of the shareholdings of his siblings, Yeo Seow Lai and Yeo Lian Cheng, and his shareholdings in JCS Group Pte. Ltd. pursuant to Section 8 of the Companies Act, 2016.

2 Deemed interested by virtue of the shareholdings of his sibling, Lim Choon Geok and his shareholdings in Decor Industries Pte. Ltd. pursuant to Section 8 of the Companies Act, 2016.

3 Deemed interested by virtue of the shareholdings of her siblings, Yeo Hock Huat and Yeo Lian Cheng pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS (cont'd)
AS AT 30 MARCH 2018

LIST OF 30 LARGEST SHAREHOLDERS REGISTERED

(Based on Record of Depositories)

Name		No. of shares held	Percentage (%)
1.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	59,043,200	33.03
2.	JCS GROUP PTE LTD	38,747,942	21.673
3.	YEO HOCK HUAT	26,117,000	14.608
4.	CHOW KOK MENG, BERT	8,919,999	4.989
5.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	8,087,200	4.523
6.	MAH WAI LOEN	4,931,800	2.758
7.	MAH WAI LOEN	3,536,000	1.977
8.	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	945,400	0.528
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG ENG TIONG	818,200	0.457
10.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	759,800	0.424
11.	YEO SEOW LAI	600,062	0.335
12.	NG GEAK HONG	577,000	0.322
13.	LOH WENG YEW	550,000	0.307
14.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	500,000	0.279
15.	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR JIANG YING	496,400	0.277
16.	TEO CHIN SIONG	496,300	0.277
17.	TEOH KIM GUAN	428,000	0.239
18.	KANG LEEN LEEN	410,000	0.229
19.	LIM CHOON GEOK	407,000	0.227
20.	YEO LIAN CHENG	400,000	0.223
21.	LIM JACK SEK	397,300	0.222
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SI THO YOKE MENG (SMART)	383,600	0.214
23.	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG (SMART)	380,000	0.212
24.	LOW JOO YARK	359,800	0.201
25.	CHIAM KIA CHEE	357,300	0.199
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG AH YONG (MY1278)	330,000	0.184
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ANG ENG TIONG	326,000	0.182
28.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIANG CHONG (8120566)	300,000	0.167
29.	CHEN XUJUN	300,000	0.167
30.	YAP CHEE YU	250,000	0.139
	TOTAL	**160,155,303**	**89.58**

WARRANTS 2015/2020

Original warrants issued	:	23,175,996
Exercise price per warrant	:	RM0.25
Exercise period	:	5 years (expiring on 7 October 2020)
Voting rights	:	None
Number of warrants holders	:	717

ANALYSIS OF WARRANT HOLDING

Holdings	No. of holders	Total holdings	Percentage (%)
1 – 99	69	3,308	0.01
100 – 1,000	244	114,46	0.49
1,001 – 10,000	247	950,284	4.10
10,001 – 100,000	133	4,593,084	19.82
100,001 – less than 5% of issued warrants	23	8,215,353	35.45
5% of issued warrants and above	1	9,299,506	40.13
TOTAL	**717**	**23,175,996**	**100.00**

DIRECTORS' WARRANT HOLDINGS

	Direct Interest		Deemed Interest	
Directors	No. of warrants	%	No. of warrants	%
Yeo Hock Huat	68,080	0.29	9,539,520 [1]	41.16
Lim Han Kiau	19,200	0.08	112,080 [2]	0.48
Dr Ho Choon Hou	-	-	-	-
Pang Kong Chek	-	-	-	-
Dato' Mark William Ling Lee Meng	-	-	-	-
Yeo Seow Lai	144,014	0.62	164,080 [3]	0.71

Notes:

1 Deemed interested by virtue of the shareholdings of his siblings, Yeo Seow Lai and Yeo Lian Cheng, and his shareholdings in JCS Group Pte. Ltd. pursuant to Section 8 of the Companies Act, 2016.

2 Deemed interested by virtue of the shareholdings of his son, Lim Min Han and his sibling, Lim Choon Geok pursuant to Section 8 of the Companies Act, 2016.

3 Deemed interested by virtue of the shareholdings of her siblings, Yeo Hock Huat and Yeo Lian Cheng pursuant to Section 8 of the Companies Act, 2016.

LIST OF 30 LARGEST WARRANT HOLDERS

Name		No. of warrants held	Percentage (%)
1.	JCS GROUP PTE LTD	9,299,506	40.13
2.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	1,116,984	4.82
3.	CHOW KOK MENG, BERT	1,040,799	4.49
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SI THO YOKE MENG (6000156)	800,000	3.45
5.	MAH WAI LOEN	724,992	3.13
6.	LEE CHEE KEONG	591,900	2.55
7.	LAI THIAM POH	582,424	2.51
8.	MAH WAI LOEN	477,000	2.06

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS (cont'd)
AS AT 30 MARCH 2018

LIST OF 30 LARGEST WARRANT HOLDERS (cont'd)

	Name	No. of warrants held	Percentage (%)
9.	CHEONG AH SAN	407,900	7.76
10.	LIM JACK SEK	306,100	1.32
11.	LAU FUI SENG	242,500	1.05
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG ENG TIONG	196,368	0.85
13.	KANG LEEN LEEN	194,400	0.84
14.	LIM JOO CHIANG	190,000	0.82
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIANG CHONG (8120566)	150,000	0.65
16.	SIM LEONG ANN	150,000	0.65
17.	TAN TIN HUAT	150,000	0.65
18.	LIM KUAN HUI	144,800	0.62
19.	YEO SEOW LAI	144,014	0.62
20.	HAU BENG HAN	133,400	0.58
21.	LOH WENG YEW	132,000	0.57
22.	WAN MOHD AZMIL BIN WAN ABDULLAH	130,000	0.56
23.	CHIAM KIA CHEE	109,752	0.47
24.	TEOH KIM GUAN	100,020	0.43
25.	ERIC CHAN SEE QUAN	100,000	0.43
26.	HAN AI LIEN	100,000	0.43
27.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AZMI BIN A GHANI (REM 133)	100,000	0.43
28.	TAN CHOON HENG	100,000	0.43
29.	TAN SING HAH	100,000	0.43
30.	LIM CHOON GEOK	97,680	0.42
	Total	**18,112,539**	**78.15**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of MClean Technologies Berhad ("**the Company**" or "**MClean**") will be held at Tawau Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 24 May 2018 at 10.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note)

2. To re-elect the following Directors retiring pursuant to Article 70 of the Company's Constitution and being eligible, offer themselves for re-election: -

   a. Mr Lim Han Kiau; and (Resolution 1)

   b. Mr Yeo Hock Huat; (Resolution 2)

3. To approve the payment of Directors' Fees amounting to RM274,000 for the financial year ending 31 December 2018. (Resolution 3)

4. To approve the payment of Directors' remuneration (excluding Directors' Fees) for the Board of the Company and its subsidiaries up to RM1,350,000 for the period from the close of Annual General Meeting ("AGM") on 24 May 2018 until the next AGM in year 2019. (Resolution 4)

5. To re-appoint Messrs SJ Grant Thornton as Auditors for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. (Resolution 5)

Special Business

To consider and if thought fit, to pass the following resolutions with or without modifications:

6. **ORDINARY RESOLUTION 1** (Resolution 6)
   AUTHORITY TO DIRECTORS TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 75 OF THE COMPANIES ACT 2016

   "THAT pursuant to Section 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors be and hereby authorised to allot shares in the Company, from time to time, at such price upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute direction deem fit provided that the aggregate number of shares to be allotted during the preceding 12 months does not exceed ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until conclusion of the next annual general meeting of the Company after the approval was given or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting."

7. To transact any other ordinary business of which due Notice has been given.

By Order of the Board

YONG MAY LI (f) (LS0000295)
WONG CHEE YIN (f) (MAICSA 7023530)
SANTHI A/P SAMINATHAN (MAICSA 7069709)
Company Secretaries
Johor Bahru
25 April 2018

NOTES:

1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her shareholding to be represented by each proxy. A proxy need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her but his / her attendance will automatically revoke the proxy's authority. However, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus account it holds.

4. Where the Proxy Form is executed by a Corporation, it must be either under its common seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited with the Company Secretary at the Registered Office situated at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau 80300 Johor Bahru, Johor at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 16 May 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

EXPLANATORY NOTE

1. <u>Item 1 of the Agenda</u>

   The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 248(1) and Section 340(1)(a) of the Companies Act 2016 (the "Act") does not require a formal approval of the shareholders and hence this Agenda item is not put forward for voting.

2. <u>Item 3 & 4 of the Agenda – Ordinary Resolutions 3 and 4</u>

   Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the Eighth AGM on the Directors' remuneration in two (2) separate resolutions as below:-

   - Resolution 3 on payment of Directors' fees in respect of the current year 2018; and
   - Resolution 4 on payment of Directors' remuneration (excluding Directors' fees) for the period from the close of Annual General Meeting ("AGM") on 24 May 2018 until the next AGM in year 2019 ("Relevant Period")

   The payment of the Directors' Fees in respect of the financial period ending 31 December 2018 will only be made if the proposed Resolution 3 has been passed at the Eighth AGM pursuant to Section 50 of the Company's Constitution and Section 230(1) of the Companies Act, 2016.

   The Directors' remuneration (excluding Directors' Fees) comprises the allowances and other emoluments payable to the Board of the Company and its subsidiaries as follows:-

	*Total (RM)
Executive Directors	1,345,200
Independent Non-Executive Directors	3,600
Non-Independent Non-Executive Directors	1,200
Total	1,350,000

NOTES:

* *Inclusive of meeting fees, EPF contribution and benefit-in-kind.*

The estimated total amount of remuneration (excluding Directors' Fees) for the Relevant Period of RM1,350,000.00 were determined based on the various factors including the number of scheduled meetings for the Board and Board Committees as well as the extend of involvement of the respective Directors. It is also subject to the changes in the regulatory requirements (if any) and foreign exchange rates fluctuation (for overseas salaries) from time to time.

Payment of Directors' Remuneration (excluding Directors' Fees) will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 4 has been passed at the Eighth AGM. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' remuneration (excluding Directors' Fees) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the period from close of Annual General Meeting ("AGM") on 24 May 2018 until the next AGM in year 2019.

3. Item 6 of the Agenda - Ordinary Resolution 6

Authority to Directors to Issue and Allot Shares

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 20 June 2017 ("the previous Mandate"). The previous Mandate was not utilized and accordingly no proceeds were raised therefrom. The Proposed Ordinary Resolution 6 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 75 and 76 of the Companies Act 2016 to allot and issue up to a maximum of 10% of the issued and paid-up share capital of the Company for the time being (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The renewal of the General Mandate is to provide flexibility to the Company to issue new shares without the need to convene a general meeting(s) to obtain shareholders' approval as to avoid incurring additional cost and time. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placement of shares, for purposes of funding current and/or future investment project(s), working capital, repayment of borrowings and/or acquisition.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 20 June 2017.

MCLEAN TECHNOLOGIES BERHAD (893631-T)
(Incorporated in Malaysia)

PROXY FORM

Number of Shares Held	
CDS Account No	

* I/We ....
of ....
being a Member(s) of **MCLEAN TECHNOLOGIES BERHAD** (893631-T), hereby appoint ....
NRIC No./ Passport No./Company No.: .... of ....
....
or failing him/her ....
NRIC No./ Passport No./Company No.:.. of ....
....
or failing him/her, *the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Eighth Annual General Meeting of the Company to be held at Tawau Room, Auditorium & Convention Center @ The Podium, Ground Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 24 May 2018 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

ORDINARY BUSINESS		**RESOLUTION**	**FOR**	**AGAINST**
1.	Re-election of Directors who retire pursuant to Article 70 of the Company's Article of Association:			
	(i) Mr. Lim Han Kiau	1		
	(ii) Mr. Yeo Hock Huat	2		
2.	Approval of Directors' fees for the financial year ending 31 December 2018.	3		
3.	Approval of Directors' Benefits for the Board of the Company and its subsidiaries for the period from close of Annual General Meeting ("AGM") on 24 May 2018 until the next AGM in 2019.	4		
4.	Re-appointment of Messrs SJ Grant Thornton as Auditors and to authorise the Directors to fix their remuneration.	5		
SPECIAL BUSINESS				
5.	Authority to Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	6		

(*Please indicate with an "x" in the space provided and to show how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion).

The proportions of my/our shareholding to be represented by the proxies appointed by the authorized nominee (if appoint more than 1 proxy) are as follows: -

First Proxy	%
Second Proxy	%
	100%

**Delete if not applicable.*

Dated this............ day of 2018

....
Signature of Member/Common Seal
Contact Number:

Notes:

1. 1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her shareholding to be represented by each proxy. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.
2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her but his / her attendance will automatically revoke the proxy's authority. However, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus account it holds.
4. Where the Proxy Form is executed by a corporation, it must be either under its Common Seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited with the Company Secretary at the Registered Office situated at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 16 May 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

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AFFIX
STAMP

The Share Registrar

MCLEAN TECHNOLOGIES BERHAD
Tricor Investor & Issuing House Service Sdn. Bhd. (11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8 Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

Then fold here

MClean

MClean Technologies Berhad (893631 T)
Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia