

# MANAGEMENT DISCUSSION & ANALYSIS



## GROUP 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 and Thailand.

## VISION

Our group strives to be the choice service solution provider through continuous innovation 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



# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

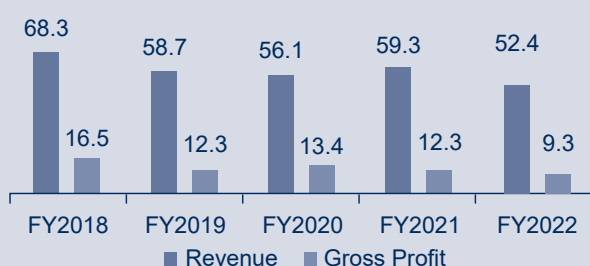
## OPERATION REVIEW

The Group is organised into geographical operating countries managed by their respective Chief Operating Officers. These officers report directly to the senior management of the Group who regularly review their operating and financial performance.

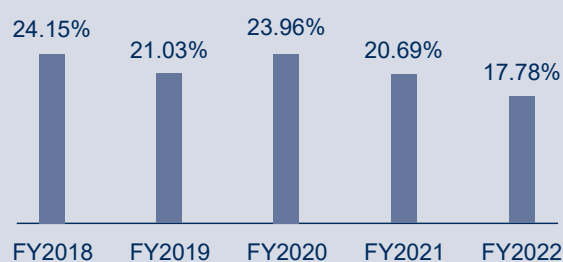
## HIGHLIGHTS OF OUR GROUP FINANCIAL INFORMATION FOR THE PAST 5 YEARS (RM'000)

	2018	2019	2020	2021	2022
Revenue	68,341	58,668	56,134	59,318	52,373
Gross profit	16,507	12,335	13,449	12,274	9,312
(Loss)/Profit before tax	(6,069)	(5,565)	1,945	(8,235)	(3,092)
Net Asset per share	0.15	0.13	0.14	0.11	0.09
(Loss)/Profit Per Share ("Lps")/"Eps" (Sen)	(2.42)	(1.36)	0.98	(4.17)	(1.51)

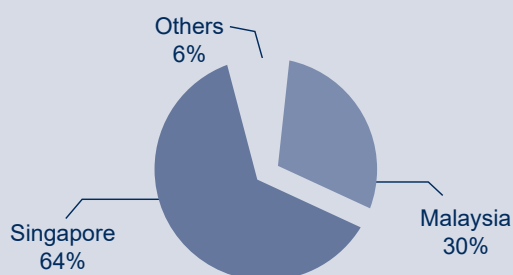
**Revenue & Gross Profit  
RM million**



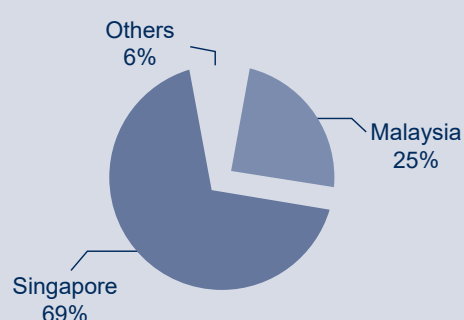
**Gross profit margin**



**Revenue information by Geographical location  
in FY2021**



**Revenue information by Geographical location  
in FY2022**



# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## **FINANCIAL ANALYSIS**

### **FINANCIAL RESULTS**

Sales for FY2022 decreased by 11.71% as compared with FY2021. The decrease is across from all precision cleaning and surface treatment services due to overall weaker market demand from Hard Disk Drive (HDD) industry.

Gross profit margin decreased from 20.69% to 17.78% mainly due to increase in freight charges, utilities charges and sub-contract fee, but partially offset by the decrease in depreciation expenses on property, plant and equipment.

Other income increased by RM1.84 million in FY2022 mainly due to RM1.88 million of currency fluctuation reserve being reversed to profit and loss account upon deregistration of a subsidiaries in current financial year.

Administrative expenses decreased by RM0.89 million as compared to the previous financial year mainly due to the decrease in indirect salaries and related costs.

Other expenses decreased by RM5.33 million as compared to the previous financial year mainly due to impairment loss on our subsidiaries' property, plant and equipment of RM5.37 million.

Overall the Group reported a loss before tax of RM3.09 million as compared to a loss before tax of RM8.24 million in FY2021.

### **FINANCIAL POSITION**

The Group property, plant and equipment decreased by approximately RM1.29 million mainly due to depreciation charge for the year of RM1.99 million and this was partially offset by addition of property, plant and equipment of RM0.69 million.

The right-of-use assets and lease liabilities decreased RM3.55 million and RM3.47 million respectively mainly due to depreciation charge and repayment of lease liabilities for the year.

### **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**

HDD industry remain as the main market for MClean. The demand for HDD has been increasingly volatile. Initial sign of some recovery in the early part of the year is now clouded with uncertainty.

### **Foreign currencies exchange risks**

MClean operates in three countries and its revenue is highly correlated to the strength of USD and Malaysia Ringgit. MClean relies on natural hedging to partially mitigate such risk and uses forward exchange contracts to further mitigate the net exposure in such currencies exposure. This exchange risks is further detailed in pages 105 to 107, Note 28 to the financial statements.