

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

	Note	3 months ended		3 months ended	
		31/3/18	31/3/17	31/3/18	31/3/17
		RM'000	RM'000	RM'000	RM'000
REVENUE		15,856	13,768	15,856	13,768
COST OF SALES		(12,320)	(10,396)	(12,320)	(10,396)
GROSS PROFIT		<u>3,536</u>	<u>3,372</u>	<u>3,536</u>	<u>3,372</u>
OTHER INCOME		70	73	70	73
ADMINISTRATIVE EXPENSES		(3,962)	(3,731)	(3,962)	(3,731)
SELLING AND DISTRIBUTION EXPENSES		(228)	(120)	(228)	(120)
OTHER EXPENSES		(531)	(88)	(531)	(88)
FINANCE COST		(38)	(29)	(38)	(29)
LOSS BEFORE TAX		<u>(1,153)</u>	<u>(523)</u>	<u>(1,153)</u>	<u>(523)</u>
TAX EXPENSE		(67)	(2)	(67)	(2)
LOSS FOR THE FINANCIAL PERIOD		<u>(1,220)</u>	<u>(525)</u>	<u>(1,220)</u>	<u>(525)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME					
Foreign currency translation difference		<u>(125)</u>	<u>38</u>	<u>(125)</u>	<u>38</u>
		<u>(125)</u>	<u>38</u>	<u>(125)</u>	<u>38</u>
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(1,345)</u>	<u>(487)</u>	<u>(1,345)</u>	<u>(487)</u>
Loss attributable to:					
Owners of the parent		(1,359)	(404)	(1,359)	(404)
Non-controlling interests		139	(121)	139	(121)
		<u>(1,220)</u>	<u>(525)</u>	<u>(1,220)</u>	<u>(525)</u>
Total comprehensive loss attributable to:					
Owners of the parent		(1,484)	(366)	(1,484)	(366)
Non-controlling interests		139	(121)	139	(121)
		<u>(1,345)</u>	<u>(487)</u>	<u>(1,345)</u>	<u>(487)</u>
Loss per share (sen)					
Basic	25	(0.76)	(0.23)	(0.76)	(0.23)
Diluted	25	Warrants are excluded from the diluted earnings per share calculation because their effects are anti-dilutive.			

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	<u>(UNAUDITED)</u>	<u>(AUDITED)</u>
		As at 31/3/2018	As at 31/12/2017
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		27,986	28,188
		27,986	28,188
Current assets			
Inventories		1,703	1,778
Trade receivables		21,722	22,701
Other receivables		5,214	5,821
Tax recoverable		876	849
Deposits with licensed banks		499	499
Cash and bank balances		4,330	4,620
		34,344	36,268
TOTAL ASSETS		62,330	64,456
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		48,115	48,115
Retained earnings		3,190	4,549
Other reserves		(21,878)	(21,753)
		29,427	30,911
Non-controlling interests		12,782	12,643
TOTAL EQUITY		42,209	43,554
Non-current liabilities			
Deferred tax liabilities		837	837
Borrowings	20	21	21
		858	858
Current liabilities			
Trade payables		8,622	7,924
Other payables		7,396	8,710
Borrowings	20	3,245	3,357
Tax payables		-	53
		19,263	20,044
TOTAL LIABILITIES		20,121	20,902
TOTAL EQUITY AND LIABILITIES		62,330	64,456
Net assets per share attributable to owners of the parent (RM)		0.16	0.17

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

Cumulative quarter ended 31 MARCH 2018

	Non distributable					Distributable	TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000	
	SHARE CAPITAL	SHARE PREMIUM	MERGER DEFICIT	WARRANT RESERVE	CURRENCY FLUCTUATION RESERVE RM'000	OTHER RESERVE				RETAINED EARNINGS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
Balance as at 01.01.2018	48,115	-	(22,246)	93	4,347	(3,947)	4,549	30,911	12,643	43,554
Transaction with owners:-										
Total comprehensive loss for the financial period	-	-	-	-	(125)	-	(1,359)	(1,484)	139	(1,345)
Balance as at 31.3.2018	48,115	-	(22,246)	93	4,222	(3,947)	3,190	29,427	12,782	42,209

Cumulative quarter ended 31 MARCH 2017

	Non distributable					Distributable	TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000	
	SHARE CAPITAL	SHARE PREMIUM	MERGER DEFICIT	WARRANT RESERVE	CURRENCY FLUCTUATION RESERVE RM'000	OTHER RESERVE				RETAINED EARNINGS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
Balance as at 01.01.2017	44,695	3,420	(22,246)	93	4,644	(3,947)	8,137	34,796	13,955	48,751
Transactions with owners:-										
Total comprehensive loss for the financial period	-	-	-	-	38	-	(404)	(366)	(121)	(487)
Balance as at 31.3.2017	44,695	3,420	(22,246)	93	4,682	(3,947)	7,733	34,430	13,834	48,264

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial statements.)

MCLEAN TECHNOLOGIES BERHAD (Company No: 893631-T)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	31/3/2018	3 months ended 31/3/2017
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(1,153)	(523)
Adjustments for:		
Bad debt written off	-	-
Depreciation	1,149	1,113
Gain on disposal of property, plant and equipment	-	(4)
Interest income	-	(3)
Interest expenses	38	29
Unrealised (gain)/loss on foreign exchange	(52)	(53)
Operating (loss)/profit before working capital changes	<u>(18)</u>	<u>559</u>
Changes in working capital:-		
Inventories	47	(68)
Receivables	909	(1,141)
Payables	94	670
CASH GENERATED FROM OPERATIONS	<u>1,032</u>	<u>20</u>
Tax paid	(147)	48
NET CASH FROM OPERATING ACTIVITIES	<u>885</u>	<u>68</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,067)	(733)
Proceeds from disposal of property, plant and equipment	-	14
Interest received	-	3
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,067)</u>	<u>(716)</u>
FINANCING ACTIVITIES		
Drawdown of borrowings	-	782
Interest paid	(38)	(29)
Repayment of term loan	(13)	(12)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	<u>(51)</u>	<u>741</u>
CASH AND CASH EQUIVALENTS		
Net changes	(233)	93
Brought forward	5,119	7,089
Effects of exchange translation differences on cash and cash equivalents	(57)	6
Carried forward	<u>4,829</u>	<u>7,188</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial statements.)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2018

1. Basis of preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Statements also complied with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

2. Significant Accounting Policies

Significant accounting policies and methods of computation adopted for the condensed interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of the new/revised MFRS and IC Interpretations mentioned below.

2.1 Standards Issued and Effective

The Group adopted the following amendments/improvements to MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2017:-

- 1) Amendments to MFRS 107, Statement of Cash Flows: Disclosure Initiative
- 2) Amendments to MFRS 112, Recognition of Deferred Tax Assets for Unrealised Losses
- 3) Amendments to MFRS 12, Disclosure of Interest in Other Entities (Annual Improvements 2014-2016 Cycle)

There is no material impact arising from adoption of the above standards and amendments on the financial statements of the Group.

2.2 Standards Issued but not yet Effective

The following accounting standards, amendments and interpretations have been issued by Malaysian Accounting Standard Board (“MASB”) but have not been adopted by the Group.

MFRS, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2018

- 1) Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
- 2) Amendments to MFRS 128, Investment in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
- 3) Amendments to MFRS 2, Classification and Measurement of Share-based Payment Transactions
- 4) Amendments to MFRS 9, Financial Instruments
- 5) Amendments to MFRS 15, Revenue from Contracts with Customers
- 6) Clarifications to MFRS 15, Revenue from Contracts with Customers
- 7) Amendments to MFRS 140, Transfers of Investment Property

8) IC Interpretation 22 – Foreign Currency Translation and Advance Consideration

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

Amendments to MFRS 3, Business Combinations (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 9, Prepayment Features with Negative Compensation

Amendments to MFRS 11, Joint Arrangements (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 112, Income Taxes (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 123, Borrowing Costs (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 128, Long-Term Interests in Associates and Joint Ventures

IC Interpretation 23 – Uncertainty Over Income Tax Treatments

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

MFRS and Amendments effective for a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture

Amendments to MFRS 4, Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts

3. Audit Report of Preceding Annual Financial Statements

The preceding year annual audited financial statements were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's operations were not subject to any seasonal or cyclical changes.

5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There was no other item which is unusual because of its size or incidences that has affected the assets, liabilities, equity, net income or cash flow of the Group for the current financial quarter under review.

6. Material Changes in Estimates

There were no material changes in estimates for the quarter ended 31 March 2018.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

8. Dividend Paid

There were no dividends declared or paid by the Group for the current quarter under review.

9. Segmental Reporting

The segmental results of the Group for the current and previous financial year-to-date under review is set out below:

Geographical information		
Revenue information based on the geographical location of customers are as follows:-		
Location	<u>3 Months Ended</u> 31.3.2018 RM'000	<u>3 Months Ended</u> 31.3.2017 RM'000
People's Republic of China	2,782	3,492
Malaysia	5,726	3,232
Singapore	10,473	9,033
Others	503	388
Inter segment	(3,628)	(2,377)
	15,856	13,768

The business of the Group is generated from the business of surface treatment, precision cleaning, clean bulkpack and related service mainly in HDD and consumer electrics industries and there is only one business segment identified by the management.

10. Valuation of Property, Plant and Equipment

The Group's property, plant and equipment were stated at cost less accumulated depreciation.

11. Material Events Subsequent to the End of the Current Financial Quarter

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

13. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

The Group has secured bank guarantee given to the Royal Malaysian Customs Department for RM437,724.

(b) Contingent assets

There were no contingent assets as at the end of current financial quarter.

14. Capital Commitment

	As at 31.3.2018 RM'000	As at 31.12.2017 RM'000
Authorised and contracted for:- Office equipment, electrical fittings and furniture and fittings	3,060	2,757
Authorised but not contracted for:- Office equipment, electrical fittings and furniture and fittings	110	40
Plant and machineries	-	36
	<u>110</u>	<u>76</u>

15. Review of Performance

Comparison between Current Financial Quarter Ended 31 March 2018 and Previous Corresponding Quarter Ended 31 March 2017

A summary of the Group’s performance is set out below:-

	3 Months Ended			
	31.3.2018	31.3.2017		
	Surface Treatment & Precision Cleaning RM'000	Surface Treatment & Precision Cleaning RM'000	Increase/(Decrease) RM'000	%
Revenue	15,856	13,768	2,088	15.17
Gross profit	3,536	3,372	164	4.86
Loss before tax	(1,153)	(523)	(630)	NA
Loss after tax	(1,220)	(525)	(695)	NA
Loss attributable to owners of the parent	(1,359)	(404)	(955)	NA

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter increased 15.17% as compared to the preceding year corresponding quarter mainly due to increase in surface treatment services.

Gross profit margin decreased from 24.49% to 22.30% in the current quarter mainly due to higher utility expenses, direct labour cost and start up cost in Thailand in the current financial quarter.

For the current financial quarter, the Group suffer an exchange loss of RM531,000 resulting in a loss before tax of RM1.15 million as compared to a loss before tax of RM0.52 million in the previous year corresponding quarter.

16. Material Changes in the Quarterly Results as Compared with the Immediate Preceding Quarter

	Current Quarter	Immediate Preceding Quarter		
	31.3.2018	31.12.2017		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	15,856	17,213	(1,357)	(7.88)
Gross profit	3,536	4,569	(1,033)	(22.61)
Loss before tax	(1,153)	(1,073)	(80)	NA
Loss after tax	(1,220)	(1,514)	294	NA
Loss attributable to owners of the parent	(1,359)	(1,133)	(226)	NA

Surface Treatment & Precision Cleaning Division

The Group’s revenue from Surface Treatment & Precision Cleaning for current financial quarter has decreased by 7.88% as compared to the immediate preceding quarter, the decrease in sales is mainly due to decrease in precision cleaning services of cassettes.

Gross profit margin for the surface treatment and precision cleaning division decreased from 26.54% to 22.30% mainly due to higher freight expenses in the current financial quarter.

The Group registered a loss before tax of RM1.15 million as compared to a loss before tax of RM1.07 million in the immediate preceding quarter.

17. Future Prospects

The next quarter is expected to remain weak. Our costs reduction efforts will materialized in the 2nd half of the year. Our Thailand factory should be ready towards the year end. Meanwhile our Surface treatment services continue to gain momentum in positive performance and we expect the Group’s 2nd half year performance to show improvement.

18. Variance of Profit Forecast and Shortfall in Profit Guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter .

19. Status of Corporate Proposals

Warrants 2015/2020 with exercise right expiring on 7 October 2020

Up to 31 March 2018, the total number of warrants converted into ordinary shares at RM0.25 each and the number of unexercised warrants are as follows:

Total number of warrants listed	Total number of warrants converted into ordinary shares	Total number of unexercised warrants
28,175,996	5,000,000	23,175,996

20. Group Borrowings and Debt Securities

The Group’s borrowings as at 31 March 2018 presented as follows:-

	As at 1 st quarter ended 2018					
	Long term		Short term		Total borrowings	
	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent
	SGD’000	RM’000	SGD’000	RM’000	SGD’000	RM’000
Secured						
Finance lease liability	-	21	-	38	-	59
Factoring loan	-	-	1,089	3,207	1,089	3,207
	As at 1 st quarter ended 2017					
	Long term		Short term		Total borrowings	
	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent
	SGD’000	RM’000	SGD’000	RM’000	SGD’000	RM’000
Secured						
Finance lease liability	-	71	-	37	-	108
Factoring loan			939	2,975	939	2,975

The total borrowings denominated in foreign currency as at 31 March 2018 are: -

Foreign currency – SGD 1,088,819 @ RM2.9455/SGD	RM’000 <u>3,207</u>
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Increased in borrowings mainly for working capital requirement and operational capital expenditure. The factoring loan is charged at an effective interest rate of approximately 3.75% per annum. The finance lease liabilities are charged at an effective interest rate of 3.35% per annum.

21. Offsetting of Financial Instruments

As at 31 March 2018, the Group is a party to a foreign currency forward contract of USD415,000 at the rate of 1.30. Had the contract been settled at the financial position date, the net effect on the exchange exposure is an increase in the loss of RM11,767.

22. Material Litigation

On 16 February 2016, Petroliam Nasional Berhad (“Petroliam”) and Petronas Gas Berhad (“PGB”) (“collectively referred to as “Petronas”), through their appointed solicitor, have issued a letter of demand to the Company’s subsidiaries, DWZ Industries Sdn. Bhd. (“DWZ”) and DWZ Industries (Johor) Sdn. Bhd. (“DWZ Johor”) (“collectively referred to as “DWZ Entities”) for unlawful entry into PGB’s land by way of installing a piping structure under the land and discharge of foreign effluent which caused damage to PGB’s pipeline. The amount of damages demanded is RM46,754,614.07. DWZ Entities through its solicitor has taken all measures to resist the claim.

On 31 October 2016, DWZ Entities has been served with a writ and a statement of claim in respect of the Civil Action commenced by PGB. The claim for remedial and other works have been quantified in the Statement of Claim at the sum of RM6,634,305.40. However, the Statement of Claim also includes heads of claim for general damages as well as aggravated, exemplary or punitive damages which are not quantified at the date of this report.

The trial for this month has commenced on 11 March 2018 at the Johor Bahru High Court and end on 21st June 2018.

23. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 31 March 2018.

24. Taxation

Details of taxation are as follows: -

	3 Months Ended	
	31.3.2018	31.3.2017
	RM'000	RM'000
Current taxation	56	2

The effective tax rate is not reflective of the statutory tax rate principally due to the restriction in the group relief available in respect of losses incurred by certain subsidiary companies and expenses which were not deductible for tax purposes.

25. Loss Per Share

Basic

The calculation of the basic earnings per share is based on the net loss divided by the weighted average number of ordinary shares.

	3 Months Ended	
	31.3.2018	31.3.2017
Net loss for the period attributable to owners of the parent (RM'000)	(1,359)	(404)
Weighted average number of ordinary shares in issue ('000)	178,778	178,778
Basic LPS(sen)	(0.76)	(0.23)

Diluted

Warrants are excluded from the diluted earnings per share calculation because their effects are anti-dilutive.

26. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Loss)/profit before tax is arrived at after charging/(crediting) the following items:-

	3 Months Ended 31 December 2017 RM'000
(a) Interest income	-
(b) Other income including investment income	(70)
(c) Interest expenses	38
(d) Depreciation	1,149
(e) Bad debts written off	-
(f) Provision for and write off of inventories	-
(g) Gain or loss on disposal of quoted or unquoted investments or properties	-
(h) Intangible asset written off	-
(i) Foreign exchange loss	531
(j) Gain or loss on derivatives	-
(k) Bad debt recovered	-
(l) Loss on disposal of property, plant and equipment	-

- End -