



MCLEAN TECHNOLOGIES BERHAD

(Company No: 201001009003 (893631-T))

(Incorporated in Malaysia)

Interim Financial Statements

31 March 2022

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2022**

	Note	3 months ended		Cumulative 3 months ended	
		31/03/22	31/03/21	31/03/22	31/03/21
		RM'000	RM'000	RM'000	RM'000
REVENUE		14,938	13,467	14,938	13,467
COST OF SALES		(11,923)	(10,634)	(11,923)	(10,634)
GROSS PROFIT		<u>3,015</u>	<u>2,833</u>	<u>3,015</u>	<u>2,833</u>
OTHER INCOME		121	298	121	298
ADMINISTRATIVE EXPENSES		(3,481)	(3,279)	(3,481)	(3,279)
SELLING AND DISTRIBUTION EXPENSES		(169)	(206)	(169)	(206)
OTHER EXPENSES		-	(70)	-	(70)
FINANCE COST		(143)	(99)	(143)	(99)
LOSS BEFORE TAX		<u>(657)</u>	<u>(523)</u>	<u>(657)</u>	<u>(523)</u>
TAX INCOME	24	-	110	-	110
LOSS FOR THE FINANCIAL PERIOD		<u>(657)</u>	<u>(413)</u>	<u>(657)</u>	<u>(413)</u>
OTHER COMPREHENSIVE INCOME					
Foreign currency translation difference		11	231	11	231
		<u>11</u>	<u>231</u>	<u>11</u>	<u>231</u>
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(646)</u>	<u>(182)</u>	<u>(646)</u>	<u>(182)</u>
(LOSS)/PROFIT attributable to:					
Owners of the Company		(647)	(605)	(647)	(605)
Non-controlling interests		(10)	192	(10)	192
		<u>(657)</u>	<u>(413)</u>	<u>(657)</u>	<u>(413)</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(636)	(374)	(636)	(374)
Non-controlling interests		(10)	192	(10)	192
		<u>(646)</u>	<u>(182)</u>	<u>(646)</u>	<u>(182)</u>
Loss per share (sen)					
Basic	25	(0.33)	(0.31)	(0.33)	(0.31)

(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 2021 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	(UNAUDITED)	(AUDITED)
		As at 31/03/2022	As at 31/12/2021
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		18,043	18,180
Right-of-use assets		8,625	9,746
Deferred tax assets		642	639
		27,310	28,565
Current assets			
Inventories		1,960	1,300
Trade receivables		14,386	15,423
Other receivables		6,341	5,653
Tax recoverable		7	5
Deposits with licensed banks		550	550
Cash and bank balances		3,960	3,891
		27,204	26,822
TOTAL ASSETS		54,514	55,387
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		50,973	50,973
Accumulated losses		(9,179)	(8,532)
Reserves		(21,393)	(21,404)
		20,401	21,037
Non-controlling interests		8,576	8,586
TOTAL EQUITY		28,977	29,623
Non-current liabilities			
Borrowings	20	1,953	1,970
Lease liabilities		5,830	6,060
Deferred tax liabilities		270	270
		8,053	8,300
Current liabilities			
Trade payables		6,747	5,852
Other payables		4,609	5,765
Borrowings	20	2,986	2,045
Lease liabilities		3,120	3,788
Tax payable		22	14
		17,484	17,464
TOTAL LIABILITIES		25,537	25,764
TOTAL EQUITY AND LIABILITIES		54,514	55,387
Net assets per share attributable to owners of the Company (RM)		0.10	0.11

(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 2021 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 2022

Cumulative year ended 31 March 2022

	Non distributable					Distributable	TOTAL ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000	
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER DEFICIT RM'000	WARRANT RESERVE RM'000	CURRENCY FLUCTUATION RESERVE RM'000	OTHER RESERVE RM'000				ACCUMULATED LOSSES RM'000
Balance as at 31.12.2021	50,973	-	(22,246)	-	4,789	(3,947)	(8,532)	21,037	8,586	29,623
Loss for the financial period	-	-	-	-	-	-	(647)	(647)	(10)	(657)
Other comprehensive income for the financial period	-	-	-	-	11	-	-	11	-	11
Total comprehensive income/(loss) for the financial period	-	-	-	-	11	-	(647)	(636)	(10)	(646)
Balance as at 31.03.2022	50,973	-	(22,246)	-	4,800	(3,947)	(9,179)	20,401	8,576	28,977

Cumulative year ended 31 March 2021

	Non distributable					Distributable	TOTAL ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000	
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER DEFICIT RM'000	WARRANT RESERVE RM'000	CURRENCY FLUCTUATION RESERVE RM'000	OTHER RESERVE RM'000				ACCUMULATED LOSSES RM'000
Balance as at 31.12.2020	50,973	-	(22,246)	-	4,081	(3,947)	(309)	28,552	8,967	37,519
(Loss)/Profit for the financial year	-	-	-	-	-	-	(605)	(605)	192	(413)
Other comprehensive income for the financial period	-	-	-	-	231	-	-	231	-	231
Total comprehensive income/(loss) for the financial period	-	-	-	-	231	-	(605)	(374)	192	(182)
Balance as at 31.03.2021	50,973	-	(22,246)	-	4,312	(3,947)	(914)	28,178	9,159	37,337

(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 2021 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

	3 months ended	
	31/03/2022	31/03/2021
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(657)	(523)
Adjustments for:		
Depreciation of property, plant and equipment	551	875
Depreciation of right-of-use assets	958	892
Reversal of impairment loss on property, plant and equipment		-
Reversal of impairment loss on trade receivables	-	(24)
Interest expenses	143	99
Unrealised loss on foreign exchange	(79)	11
Operating profit before working capital changes	<u>916</u>	<u>1,330</u>
Changes in working capital:-		
Inventories	(665)	(65)
Receivables	381	3,497
Payables	(194)	(1,562)
CASH GENERATED FROM OPERATIONS	<u>438</u>	<u>3,200</u>
Tax paid	-	(27)
NET CASH FROM OPERATING ACTIVITIES	<u>438</u>	<u>3,173</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(419)	(802)
NET CASH USED IN INVESTING ACTIVITY	<u>(419)</u>	<u>(802)</u>
FINANCING ACTIVITIES		
Proceed from/(Repayment of) account receivables financing	945	(423)
Interest paid	(143)	(99)
Repayment of lease liabilities	(733)	(648)
Repayment of term loan	(8)	(17)
NET CASH FROM/(USED) IN FINANCING ACTIVITIES	<u>61</u>	<u>(1,187)</u>
CASH AND CASH EQUIVALENTS		
Net changes	80	1,184
Brought forward	3,891	3,886
Effects of exchange translation differences on cash and cash equivalents	(11)	(30)
Carried forward	<u>3,960</u>	<u>5,040</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 2021 and the accompanying explanatory notes attached to this interim financial statements.)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2022

1. Basis of Preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) 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 2021. 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 2021.

2. Significant Accounting Policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with those adopted for the financial year ended 31 December 2021, except for the adoption of the following Amendments and Annual Improvements to Standards effective for the annual periods beginning on or after 1 January 2022.

- Annual Improvement to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018-2020”
- Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

The adoption of the above standards, amendments and annual improvement did not have any material financial impacts to the Group.

Standards issued but not yet effective

- i) MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023
- MFRS 17 Insurance Contracts
 - Amendments to MFRS 17 Insurance Contracts
 - Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
 - Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies
 - Amendments to MFRS 108 Accounting Policies - Changes in Accounting Estimates and Errors
 - Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption for Applying MFRS 9
 - Amendments to MFRS 17 Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information
 - Amendments to MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2. Significant Accounting Policies (continued)

Standards issued but not yet effective (continued)

- ii) MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
 - Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group does not plan to apply MFRS 17 Insurance Contract that is effective for annual periods beginning on 1 January 2023 as it is not applicable to the Group. The adoption of the applicable accounting standards are not expected to have any material impacts to the financial statements of the Group up on the initial adoption.

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 2022.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchases, 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 period-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>	<u>3 Months Ended</u>
	31.03.2022	31.03.2021
	RM'000	RM'000
People's Republic of China	635	262
Malaysia	6,243	4,910
Singapore	12,707	12,461
Others	467	287
Inter segment	(5,114)	(4,453)
	<u>14,938</u>	<u>13,467</u>

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 and unsecured bank guarantee given to the Royal Malaysian Customs Department and licensed bank for credit facilities granted to a subsidiary for RM350,000 and RM562,459 respectively.

(b) Contingent assets

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

14. Capital Commitment

	As at 31.03.2022 RM'000	As at 31.03.2021 RM'000
Authorised but not contracted for:- Plant and machineries	-	41

15. Review of Performance

Comparison between Current Financial Quarter Ended 31 March 2022 and Previous Corresponding Quarter Ended 31 March 2021

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

	3 Months Ended			
	31.03.2022	31.03.2021		
	Surface Treatment & Precision Cleaning RM'000	Surface Treatment & Precision Cleaning RM'000	Increase/(Decrease) RM'000	%
Revenue	14,938	13,467	1,471	10.92
Gross profit	3,015	2,833	182	6.42
Loss before tax	(657)	(523)	134	25.62
Loss after tax	(657)	(413)	244	59.08
Loss attributable to owners of the Company	(647)	(605)	42	6.94

Surface Treatment & Precision Cleaning Division

Revenue for the current financial quarter increased by 10.92% as compared to the previous corresponding quarter. The increase is from both precision cleaning and surface treatment services.

The overall gross profit margin decreased from 21.04% to 20.18% in the current financial quarter mainly due to increase in material cost, freight charges and electricity charges.

Overall, the Group reported a loss before tax of RM0.657 million in the current financial quarter as compared to a loss before tax of RM0.523 million in the previous corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter		
	31.03.2022	31.12.2021		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	14,938	16,224	(1,286)	(7.93)
Gross profit	3,015	2,203	812	36.86
Loss before tax	(657)	(6,701)	(6,044)	(90.20)
Loss after tax	(657)	(7,176)	(6,519)	(90.84)
Loss attributable to owners of the Company	(647)	(6,774)	(6,127)	(90.45)

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter decreased by 7.93% as compared to the immediate preceding quarter. The decrease is across all surface treatment and precision cleaning services. Traditionally the 1st quarter of the year has the lower revenue as compared to 4th quarter of the year.

The overall gross profit margin increased from 13.58% to 20.18% in current quarter as compared to the immediate preceding quarter.

The Group’s other expenses increased by RM5,503,000 mainly due to the non-recurring allowance for impairment loss on property, plant and equipment in the immediate preceding quarter.

The Group registered a loss before tax of RM0.657 million as compared to a loss before tax of RM6.701 million in the immediate preceding quarter.

17. Future Prospects

With the relaxation of Covid-19 restrictions and resumption of the economy, the surge in costs such as logistics and utilities are an increasing threat to our margin.

While the demand for precision washing and surface treatment services from the Hard Disk Drive (HDD) is expected to remain stable, there is increasing urgency to diversify our core business.

We believe our know-how in contamination control for the Precision cleaning business will auger well for our venture into contamination and sanitization related prospects.

Appropriate announcements shall be made for any material developments.

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

There is no corporate proposal announced but not completed as at the date of this report.

20. Group Borrowings and Debt Securities

The Group’s borrowings as at 31 March 2022 presented as follows:-

	As at 1st quarter ended 2022					
	Long term		Short term		Total borrowings	
	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000
Secured						
Term loan	-	1,953	-	104	-	2,057
Factoring loan	-	-	929	2,882	929	2,882

	As at 1st quarter ended 2021					
	Long term		Short term		Total borrowings	
	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000
Secured						
Term loan	-	2,103	-	52	-	2,155
Factoring loan	-	-	429	1,322	429	1,322

The total borrowings denominated in foreign currency as at 31 March 2022 are: -

	RM’000
Foreign currency – SGD 928,913 @ RM3.1027/SGD	<u>2,882</u>

The factoring loan is charged at an effective interest rate of approximately 3.25% per annum. The term loan is charged at an effective interest rate of 3.20% per annum.

21. Off Balance Sheet Financial Instruments

As at 31 March 2022, the Group is a party to a foreign currency forward contract to sell USD300,000 at the rate ranging from 1.3510 to 1.3565. Had the contract been settled at the financial position date, the net effect on the exchange exposure is an increase in the gain of RM216.

22. Material Litigation

There was no pending material adverse litigation from 1 January 2022 up to the date of this quarterly announcement.

23. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 31 March 2022.

24. Tax Income

Details of taxation are as follows: -

	3 Months Ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
Over provision in prior period	-	(110)
Effective tax rate	-	-
Statutory tax rate	24%	24%
Variance	-	-

25. Loss Per Share (“LPS”)

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

	3 Months Ended		Cumulative 3 Months Ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Net loss for the period attributable to owners of the Company (RM'000)	(647)	(605)	(647)	(605)
Weighted average number of ordinary shares in issue ('000)	197,213	197,213	197,213	197,213
Basic loss per share (sen)	(0.33)	(0.31)	(0.33)	(0.31)

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

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

	3 Months Ended 31 March 2022 RM'000
(a) Interest income	-
(b) Other income including investment income	(121)
(c) Interest expenses	143
(d) Depreciation and amortisation	1,509
(e) Provision for and write off of receivables	-
(f) Provision for and write off of inventories	-
(g) Gain or loss on disposal of quoted or unquoted investments or properties	-
(h) Impairment of assets	-
(i) Foreign exchange gain	(25)
(j) Gain or loss on derivatives	-
(k) Exceptional items	-

- End -