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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2018

		3 months ended		**12 months ended**	
		31/12/18	**31/12/17**	**31/12/18**	**31/12/17**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
REVENUE		16,399	17,213	68,341	59,255
COST OF SALES		(13,607)	(12,644)	(53,116)	(44,904)
GROSS PROFIT		2,792	4,569	15,225	14,351
OTHER INCOME		15	142	176	321
ADMINISTRATIVE EXPENSES		(3,960)	(4,800)	(16,585)	(16,396)
SELLING AND DISTRIBUTION EXPENSES		(190)	(439)	(883)	(803)
OTHER EXPENSES		(3,524)	(508)	(3,764)	(1,213)
FINANCE COST		(118)	(37)	(236)	(132)
LOSS BEFORE TAX		(4,985)	(1,073)	(6,067)	(3,872)
TAX INCOME/(EXPENSE)	24	246	(441)	119	(443)
LOSS FOR THE FINANCIAL PERIOD		(4,739)	(1,514)	(5,948)	(4,315)
OTHER COMPREHENSIVE (LOSS)/INCOME					
Foreign currency translation difference		29	(212)	(302)	(297)
Tax effect on items that will not be reclassified to profit and loss		(248)	-	(248)	-
		(219)	(212)	(550)	(297)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		(4,958)	(1,726)	(6,498)	(4,612)
Loss attributable to:					
Owners of the parent		(3,132)	(1,133)	(4,324)	(3,588)
Non-controlling interests		(1,607)	(381)	(1,624)	(727)
		(4,739)	(1,514)	(5,948)	(4,315)
Total comprehensive loss attributable to:					
Owners of the parent		(3,239)	(1,345)	(4,762)	(3,885)
Non-controlling interests		(1,719)	(381)	(1,736)	(727)
		(4,958)	(1,726)	(6,498)	(4,612)
Loss per share (sen)					
Basic	25	(1.75)	(0.63)	(2.42)	(2.01)
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.)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	(UNAUDITED) As at 31/12/2018 RM'000	(AUDITED) As at 31/12/2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		31,425	28,188
		31,425	28,188
Current assets			
Inventories		1,230	1,778
Trade receivables		21,472	22,701
Other receivables		3,123	5,821
Tax recoverable		649	849
Deposits with licensed banks		511	499
Cash and bank balances		5,102	4,620
		32,087	36,268
TOTAL ASSETS		**63,512**	**64,456**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		48,115	48,115
Retained earnings		198	4,549
Other reserves		(22,191)	(21,753)
		26,122	30,911
Non-controlling interests		10,437	12,643
TOTAL EQUITY		**36,559**	**43,554**
Non-current liabilities			
Deferred tax liabilities		1,104	837
Borrowings	20	45	21
		1,149	858
Current liabilities			
Trade payables		10,709	7,924
Other payables		11,771	8,710
Borrowings	20	3,309	3,357
Tax payables		15	53
		25,804	20,044
TOTAL LIABILITIES		**26,953**	**20,902**
TOTAL EQUITY AND LIABILITIES		**63,512**	**64,456**
Net assets per share attributable to owners of the parent (RM)		0.15	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.)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018

Cumulative year ended 31 DECEMBER 2018	Non distributable						Distributable			
	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	RETAINED EARNINGS RM'000	TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
Balance as at 31.12.2017, as previously stated	48,115	-	(22,246)	93	4,347	(3,947)	4,549	30,911	12,643	43,554
Effect on adopting MFRS 9	-	-	-	-	-	-	(27)	(27)	-	(27)
Adjusted balance as at 01.01.2018	48,115	-	(22,246)	93	4,347	(3,947)	4,522	30,884	12,643	43,527
Transaction with owners:-										
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(470)	(470)
Total transactions with owners	-	-	-	-	-	-	-	-	(470)	(470)
Loss for the financial period	-	-	-	-	-	-	(4,324)	(4,324)	(1,624)	(5,948)
Other comprehesive loss for the financial period	-	-	-	-	(302)	(136)	-	(438)	(112)	(550)
Total comprehensive loss for the financial period	-	-	-	-	(302)	(136)	(4,324)	(4,762)	(1,736)	(6,498)
Balance as at 31.12.2018	**48,115**	**-**	**(22,246)**	**93**	**4,045**	**(4,083)**	**198**	**26,122**	**10,437**	**36,559**

Cumulative year ended 31 DECEMBER 2017	Non distributable						Distributable			
	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	RETAINED EARNINGS RM'000	TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY 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:-										
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(585)	(585)
Total transactions with owners	-	-	-	-	-	-	-	-	(585)	(585)
Total comprehensive loss for the financial period	-	-	-	-	(297)	-	(3,588)	(3,885)	(727)	(4,612)
Transition to no-par value regime on 31 January 2017	3,420	(3,420)	-	-	-	-	-	-	-	-
Balance as at 31.12.2017	**48,115**	**-**	**(22,246)**	**93**	**4,347**	**(3,947)**	**4,549**	**30,911**	**12,643**	**43,554**

(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 TWELVE MONTHS ENDED 31 DECEMBER 2018

	12 months ended	
	31/12/2018	**31/12/2017**
	RM'000	**RM'000**
OPERATING ACTIVITIES		
Loss before tax	(6,067)	(3,872)
Adjustments for:		
Bad debt written off	214	37
Depreciation	4,621	4,260
Excess of net fair value over acquisition cost	-	(33)
Loss on disposal of property, plant and equipment	-	93
Interest income	(14)	(26)
Interest expenses	236	132
Allowance for doubtful debts	45	-
Unrealised loss on foreign exchange	81	639
Operating (loss)/profit before working capital changes	(884)	1,230
Changes in working capital:-		
Inventories	538	(879)
Receivables	2,993	(862)
Payables	6,227	7,514
CASH GENERATED FROM OPERATIONS	8,874	7,003
Tax refunded/(paid)	302	(278)
NET CASH FROM OPERATING ACTIVITIES	**9,176**	**6,725**
INVESTING ACTIVITIES		
Acquision of subsidiary, net of cash acquired	-	89
Purchase of property, plant and equipment	(7,952)	(9,371)
Proceeds from disposal of property, plant and equipment	-	121
Interest received	14	26
Dividend paid to non-controlling interest	(470)	(585)
NET CASH USED IN INVESTING ACTIVITIES	**(8,408)**	**(9,720)**
FINANCING ACTIVITIES		
Drawdown of borrowings	23	1,248
Interest paid	(236)	(132)
Repayment of term loan	(50)	(50)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(263)**	**1,066**
CASH AND CASH EQUIVALENTS		
Net changes	505	(1,929)
Brought forward	5,119	7,089
Effects of exchange translation differences on cash and cash equivalents	(11)	(41)
Carried forward	**5,613**	**5,119**

(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 TWELVE MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 2018

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS FINANCIAL YEAR ENDED 31 DECEMBER 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 2018 except for the adoption of the new/revised MFRSs 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 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

The adoption of the above MFRSs and IC Interpretation did not have any significant effects on the interim financial report upon their initial application, other than disclosed below:

MFRS 9 Financial Instruments

The Group has adopted MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this Standard are not relevant to the Group.

The Group has applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

2. Significant Accounting Policies (continued)

2.1 Standards Issued and Effective (continued)

(i) **Classification and measurement of financial instruments**

Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The classification above depends on the Group's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Group as at 1 January 2018 are reclassified to the following categories:-

		Measurement category		Group Carrying amount as at 1 January 2018	
	Note	**Original (MFRS 139)**	**New (MFRS 9)**	**Original (MFRS 139)**	**New (MFRS 9)**
				RM'000	**RM'000**
Financial assets:					
Trade receivables	(1)	LAR*	Amortised cost	22,701	22,674
Other receivables	(1)	LAR*	Amortised cost	3,893	3,893
Cash and bank balances	(1)	LAR*	Amortised cost	4,620	4,620
Deposits with licensed banks	(1)	LAR*	Amortised cost	499	499

* LAR - Loans and Receivables

Note:

(1) Trade receivables, other receivables, cash and bank balances and deposits with licensed bank that were previously classified as loans and receivables are now reclassified to amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's assessment did not identify any requirements to reclassify financial liabilities at 1 January 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

2. Significant Accounting Policies (continued)

2.1 Standards Issued and Effective (continued)

(ii) **Impairment of financial assets**

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected credit losses on all trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

	Group RM'000
Trade receivables	
Loss allowances at 31 December 2017 under MFRS 139	-
Additional impairment recognised at 1 January 2018	27
Loss allowances at 1 January 2018 under MFRS 9	27

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.

<u>MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2019</u>

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 119, Plan Amendment, Curtailment or Settlement
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

<u>MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2020</u>

Amendments to MFRS 2, Share-based payments
Amendments to MFRS 3, Business Combination
Amendments to MFRS 101, Presentation of Financial Statements
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134, Interim Financial Reporting
Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138, Intangible Assets
Amendments to IC Interpretation 22, Foreign Currency Transaction and Advance Consideration
IC Interpretation 132, Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs

2. Significant Accounting Policies (continued)

2.2 Standards Issued but not yet Effective (continued)

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

MFRSs 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

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

Except for the legal liability arising from litigation (see Note 22), 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 December 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:-		
	12 Months Ended	**12 Months Ended**
Location	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**
People's Republic of China	13,036	15,357
Malaysia	30,053	15,422
Singapore	40,712	37,589
Others	1,413	1,285
Inter segment	(16,873)	(10,398)
	68,341	**59,255**

9. Segmental Reporting (continued)

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 31.12.2018 RM'000	**As at 31.12.2017 RM'000**
Authorised and contracted for:-		
Office equipment, electrical fittings and furniture and fittings	195	2,757
Authorised but not contracted for:-		
Office equipment, electrical fittings and furniture and fittings	5	40
Plant and machineries	13	36
	18	76

15. Review of Performance

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

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

	3 Months Ended			
	31.12.2018	31.12.2017		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	16,399	17,213	(814)	(4.73)
Gross profit	2,792	4,569	(1,777)	(38.89)
Loss before tax	(4,985)	(1,073)	(3,912)	NA
Loss after tax	(4,739)	(1,514)	(3,225)	NA
Loss attributable to owners of the parent	(3,132)	(1,133)	(1,999)	NA

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter decreased by 4.73% as compared to the preceding year corresponding quarter. The decline is across all surface treatment and precision cleaning services.

Gross profit margin decreased from 26.54% to 17.03% in the current quarter mainly due to change in product mix in the current quarter. We have taken on more lower margin HDD sales and the margin were also affected by the costs from our Thailand factory which has not achieve full operational efficiency yet.

Administrative expenses decline by about RM840,000 due to in the previous year corresponding quarter RM528,000 legal fees were incurred.

For the current financial quarter, included in the Group other expenses was an amount of RM3.33 million relating to legal liability expenses.

Overall, the Group reported a loss before tax of RM4.74 million in the current financial quarter as compared to a loss before tax of RM1.51 million in the previous year corresponding quarter.

Comparison between Current Year-to-date Ended 31 December 2018 and Previous Corresponding Year-to-date Ended 31 December 2017

	12 Months Ended			
	31.12.2018	31.12.2017		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	68,341	59,255	9,086	15.33
Gross profit	15,225	14,351	874	6.09
Loss before tax	(6,067)	(3,872)	(2,195)	NA
Loss after tax	(5,948)	(4,315)	(1,633)	NA
Loss attributable to owners of the parent	(4,324)	(3,588)	(736)	NA

15. Review of Performance (continued)

Surface Treatment & Precision Cleaning Division

Total revenue from Surface Treatment & Precision Cleaning for the current year increased by 15.33% as compared to the preceding year corresponding period mainly due to increase surface treatment services and precision washing of component.

Gross profit margin decrease slightly from 24.22% to 22.28%.

For the current financial quarter, included in the Group other expenses was an amount of RM3.33 million relating to legal liability expenses. The Group also incurred a higher foreign exchange loss of RM1.07 million last year as compared with RM179,000 in the current year.

Overall, the Group reported a loss before tax of RM6.07 million as compared to a loss before tax of RM3.87 million in the previous year corresponding period.

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

	Current Quarter	Immediate Preceding Quarter		
	31.12.2018	30.9.2018		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	16,399	18,232	(1,833)	(10.05)
Gross profit	2,792	4,642	(1,850)	(39.85)
Loss before tax	(4,985)	(107)	(4,878)	NA
Loss after tax	(4,739)	(137)	(4,602)	NA
(Loss)/profit attributable to owners of the parent	(3,132)	59	(3,191)	NA

Surface Treatment & Precision Cleaning Division

The Group's revenue from Surface Treatment & Precision Cleaning for current financial quarter decrease by 10% as compared to the preceding year corresponding period. The decline is across all surface treatment and precision cleaning services.

Gross profit margin for the surface treatment and precision cleaning division decreased from 25.46% to 17.03% mainly due to change in product mix. We have taken on more lower margin HDD sales.

For the current financial quarter, included in the Group other expenses was an amount of RM3.33 million relating to legal liability expenses.

The Group registered a loss before tax of RM5 million as compared to a loss before tax of RM107,000 in the immediate preceding quarter.

17. Future Prospects

Our factory in Thailand has commence operations and is expected to improve on its performance. The Group precision cleaning business is expected to maintain as the same level as last year with lower volume in the 1st half of the year and increasing volume towards the 2nd half year.

17. Future Prospects (continued)

Surface Treatment business volume and operating performance is expected to remain the same as last year.

Our focus for the next few quarters is to consolidate our core Surface treatment & precision cleaning business in Thailand and in Malaysia. Meanwhile we continue to explore new initiatives and business alliances to diversify into our revenue stream.

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 December 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 December 2018 presented as follows:-

	As at 4th 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	-	45	-	47	-	92
Factoring loan	-	-	1,076	3,262	1,076	3,262

	As at 4th 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	-	21	-	50	-	71
Factoring loan	-	-	1,089	3,307	1,089	3,307

20. Group Borrowings and Debt Securities (continued)

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

	RM'000
Foreign currency – SGD 1,076,051 @ RM3.0312/SGD	3,262

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. Off Balance Sheet Financial Instruments

As at 31 December 2018, the Group does not have any off balance sheet financial instruments.

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 was served with a writ and a statement of claim in respect of the Civil Action commenced by PGB. The trial for Johor Bahru Civil Suit No. JA-22NCVC-204-10/2016, between PGB and DWZ Entities, has progressed on 11 March 2018, 20 May 2018, 6 June 2018, 18 June 2018, 19 June 2018, 20 June 2018 and 21 June 2018.

The decision of the Johor Bahru High Court on 19 December 2018 has held DWZ Entities to be jointly and severally liable to PGB for their pleaded claim for unlawful entry into PGB's land, tort of trespass, nuisance and negligence for the discharge of foreign effluent causing damage to PGB's pipeline. The Court has issued declarations to that effect and has issued an injunction against the Defendants' their servants and agents from entering the Plaintiff's land, constructing or installing or causing to be constructed or installing any piping or structure on the Plaintiff's land and to injunct the DWZ Entities from releasing or discharging any effluents to the Plaintiff's land.

The High Court has ordered damages against DWZ Entities in the amount of RM 3,226,243.00 together with interest at the rate of 5% per annum from the date of loss till the date of full payment and costs in the amount of RM 100,000.00.

DWZ Entities have appealed against the High Court decision dated 19 December 2018 on both liability and quantum. A Notice of Appeal to the Court of Appeal, Putrajaya, was filed by solicitors for DWZ Entities on 16 January 2019.

23. Dividend Payable

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

24. Tax (Income)/Expense

Details of taxation are as follows: -

	3 Months Ended		12 Months Ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current taxation	(68)	191	59	193
(Over)/Under provision in prior year	(197)	147	(197)	147
Deferred tax	19	103	19	103
	(246)	441	(119)	443

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 ("LPS")

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

	3 Months Ended		12 Months Ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Net loss for the period attributable to owners of the parent (RM'000)	(3,132)	(1,133)	(4,324)	(3,588)
Weighted average number of ordinary shares in issue ('000)	178,778	178,778	178,778	178,778
Basic LPS (sen)	(1.75)	(0.63)	(2.42)	(2.01)

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

	3 Months Ended 31 December 2018 RM'000	12 Months Ended 31 December 2018 RM'000
(a) Interest income	(12)	(14)
(b) Other income including investment income	(3)	(162)
(c) Interest expenses	118	236
(d) Depreciation	1,142	4,621
(e) Bad debts written off	64	214
(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 (gain)/loss	90	179
(j) Gain or loss on derivatives	-	-
(k) Exceptional items	3,326	3,326

\- End -