

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2017**

	Note	3 months ended		6 months ended	
		30/6/17	30/6/16	30/6/17	30/6/16
		RM'000	RM'000	RM'000	RM'000
REVENUE		12,846	14,477	26,614	27,230
COST OF SALES		(10,694)	(11,081)	(21,090)	(21,751)
GROSS PROFIT		2,152	3,396	5,524	5,479
OTHER INCOME		46	79	119	102
ADMINISTRATIVE EXPENSES		(3,798)	(2,998)	(7,529)	(5,944)
SELLING AND DISTRIBUTION EXPENSES		(106)	(196)	(226)	(364)
OTHER EXPENSES		(314)	-	(402)	(516)
FINANCE COST		(32)	(48)	(61)	(84)
(LOSS)/PROFIT BEFORE TAX		(2,052)	233	(2,575)	(1,327)
TAX EXPENSE		-	(115)	(2)	(115)
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(2,052)	118	(2,577)	(1,442)
OTHER COMPREHENSIVE (LOSS)/INCOME					
Foreign currency translation difference		(65)	101	(103)	(666)
		(65)	101	(103)	(666)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD		(2,117)	219	(2,680)	(2,108)
(Loss)/Profit attributable to:					
Owners of the parent		(1,670)	31	(2,074)	(1,598)
Non-controlling interests		(382)	87	(503)	156
		(2,052)	118	(2,577)	(1,442)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(1,735)	132	(2,177)	(2,264)
Non-controlling interests		(382)	87	(503)	156
		(2,117)	219	(2,680)	(2,108)
(Loss)/Earnings per share (sen)					
Basic	25	(0.93)	0.02	(1.16)	(0.89)
Diluted	25	Warrants are excluded from the diluted earnings per share calculation because their effects are anti-dilutive.			

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	<u>(UNAUDITED)</u>	<u>(AUDITED)</u>
		As at 30/6/2017	As at 31/12/2016
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		22,949	23,285
		22,949	23,285
Current assets			
Inventories		1,173	800
Trade receivables		22,017	23,236
Other receivables		5,208	4,763
Tax recoverable		956	858
Deposits with licensed banks		486	486
Cash and bank balances		6,514	6,603
		36,354	36,746
TOTAL ASSETS		59,303	60,031
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		44,695	44,695
Share premium		3,420	3,420
Retained earnings		6,063	8,137
Other reserves		(21,559)	(21,456)
		32,619	34,796
Non-controlling interests		13,452	13,955
TOTAL EQUITY		46,071	48,751
Non-current liabilities			
Deferred tax liabilities		735	735
Borrowings	20	71	71
		806	806
Current liabilities			
Trade payables		6,428	4,903
Other payables		3,046	3,386
Borrowings	20	2,952	2,185
		12,426	10,474
TOTAL LIABILITIES		13,232	11,280
TOTAL EQUITY AND LIABILITIES		59,303	60,031
Net assets per share attributable to owners of the parent (RM)		0.18	0.19

(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 2016 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Cumulative quarter ended 30 JUNE 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
Transaction with owners:-										
Total comprehensive loss for the financial year	-	-	-	-	(103)	-	(2,074)	(2,177)	(503)	(2,680)
Balance as at 30.6.2017	44,695	3,420	(22,246)	93	4,541	(3,947)	6,063	32,619	13,452	46,071

Cumulative quarter ended 30 JUNE 2016

	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 01.01.2016	44,695	3,420	(22,246)	5,493	4,701	(3,946)	1,878	33,995	14,703	48,698
Transactions with owners:-										
Transfer of warrants reserve to retained profits upon the expiry of unexercised warrants	-	-	-	(5,400)	-	-	5,400	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(900)	(900)
Total transactions with owners	-	-	-	(5,400)	-	-	5,400	-	(900)	(900)
Total comprehensive (loss)/income for the financial year	-	-	-	-	(666)	-	(1,598)	(2,264)	156	(2,108)
Balance as at 30.6.2016	44,695	3,420	(22,246)	93	4,035	(3,946)	5,680	31,731	13,959	45,690

(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 2016 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 SIX MONTHS ENDED 30 JUNE 2017**

	6 months ended	
	30/6/2017	30/6/2016
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(2,575)	(1,327)
Adjustments for:		
Amortisation of intangible assets	-	452
Depreciation	2,238	2,161
Gain on disposal of property, plant and equipment	(8)	-
Interest income	(10)	(21)
Interest expenses	61	84
Unrealised gain on foreign exchange	(72)	(146)
Operating (loss)/profit before working capital changes	<u>(366)</u>	<u>1,203</u>
Changes in working capital:-		
Inventories	(376)	(318)
Receivables	539	3,432
Payables	1,537	(4,767)
CASH GENERATED FROM/(USED IN) OPERATIONS	<u>1,334</u>	<u>(450)</u>
Tax paid	(101)	(631)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>1,233</u>	<u>(1,081)</u>
INVESTING ACTIVITIES		
Dividend paid to non-controlling interest	-	(900)
Purchase of property, plant and equipment	(2,008)	(1,493)
Proceeds from disposal of property, plant and equipment	18	-
Interest received	10	21
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,980)</u>	<u>(2,372)</u>
FINANCING ACTIVITIES		
Drawdown of borrowings	782	741
Interest paid	(61)	(84)
Repayment of term loan	(25)	(1,036)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	<u>696</u>	<u>(379)</u>
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		
Net changes	(51)	(3,832)
Brought forward	7,089	12,974
Effects of exchange translation differences on cash and cash equivalents	(38)	(150)
Carried forward	<u>7,000</u>	<u>8,992</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 2016 and the accompanying explanatory notes attached to this interim financial statements.)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

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 2016. 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 2016.

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 2016 except for the adoption of the new/revised MFRS mentioned below.

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation

On 1 January 2016, the Group adopted the following new and amended MFRSs and IC Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2016:

- 1) MFRS 14 Regulatory Deferral Accounts
- 2) Amendments to MFRS 4 – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- 3) Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception
- 4) Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- 5) Amendments to MFRS 101 - Disclosure Initiative
- 6) Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- 7) Amendments to MFRS 116 and MFRS 141 -Agriculture: Bearer Plants
- 8) Amendments to MFRS 127 – Equity Method in Separate Financial Statements
- 9) Annual Improvements to MFRSs 2012–2014 Cycle
 - a. Amendments to MFRS 5
 - b. Amendments to MFRS 7
 - c. Amendments to MFRS 119
 - d. Amendments to MFRS 134

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

2.2 MFRSs and Amendments to MFRSs Issued but not yet Effective

The following are MFRSs and Amendments to MFRSs with effective dates after 1 January 2016 issued by MASB and they have not been early adopted by the Group in this set of financial statements.

(a) MFRS and Amendments effective for annual periods beginning on or after 1 January 2017

- 1) Amendments to MFRS 107 - Disclosure Initiative
- 2) Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
- 3) Annual Improvements to MFRSs 2014–2016 Cycle
 - a. Amendments to MFRS 12

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

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

- 1) Amendments to MFRS 2 – Classification and Measurement of Share-based Payment Transactions
- 2) MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)
- 3) MFRS 15 – Revenue from Contracts with Customers
- 4) Amendments to MFRS 140 – Transfers of Investment Property
- 5) Annual Improvements to MFRSs 2014-2016 Cycle
 - a. Amendments to MFRS 1
 - b. Amendments to MFRS 128
- 6) IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

(c) MFRS and Amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16: Leases

(d) 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

2.3 Companies Act 2016

Companies Act 1965 was repealed by Companies Act 2016. Except for section 241 and Division 8 of Part III, the new Act is effective from 31 January 2017. Amongst the key changes introduced in Companies Act 2016 affecting the financial statements of the Group and of the Company upon the commencement of Companies Act 2016 are:

- 1) removal of the authorised share capital;
- 2) shares of the Company will cease to have par or nominal value; and
- 3) the Company's share premium account will be part of the Company's share capital.

The adoption of Companies Act 2016 did not have any financial impact on the Group and the Company for the current interim financial report as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures in the annual report and financial statements for the financial year ending 31 December 2017.

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 30 June 2017.

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>6 Months Ended</u> 30.6.2017	<u>6 Months Ended</u> 30.6.2016
	RM'000	RM'000
People's Republic of China	6,909	5,695
Malaysia	6,012	6,504
Singapore	17,669	17,901
Others	722	469
Inter segment	(4,698)	(3,339)
	26,614	27,230

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 other than as disclosed below:

The Company’s wholly owned subsidiary, Mclean Advance Carrier Pte Ltd had, on 19 June 2017 incorporated a new subsidiary company in Singapore, namely MClean Cloud Logistics Pte. Ltd. as its fifty-five percent (55%) owned subsidiary.

13. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

The Group has secured bank guarantee given to the Royal Malaysian Customs Department for RM392,500.

(b) Contingent assets

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

14. Capital Commitment

	As at 30.6.2017 RM’000	As at 30.6.2016 RM’000
Authorised and contracted for:-		
Office equipment, electrical fittings and furniture and fittings	4,389	134

15. Review of Performance

Comparison between Current Financial Quarter Ended 30 June 2017 and Previous Corresponding Quarter Ended 30 June 2016

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

	3 Months Ended	
	30.6.2017	30.6.2016
	Surface Treatment & Precision Cleaning RM’000	Surface Treatment & Precision Cleaning RM’000
Revenue	12,846	14,477
Gross profit	2,152	3,396
(Loss)/profit before tax	(2,052)	233

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter decreased 11.27% as compared to the preceding year corresponding quarter mainly due to net decrease in Cassette washing and surface treatment services which more than offset increase in Component washing services.

Gross profit margin decreased from 23.46% to 16.75% in the current quarter mainly due to higher set up cost for a new spray paint project.

Administrative expenses has increased by RM800,000 mainly due to increase in indirect staff cost and legal fees.

Overall, the Group reported a loss before tax of RM2.05 million as compared to a profit before tax of RM0.23 million in the previous year corresponding quarter.

Comparison between Current Period-to-date Ended 30 June 2017 and Previous Corresponding Period-to-date Ended 30 June 2016

	6 Months Ended	
	30.6.2017	30.6.2016
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning
	RM'000	RM'000
Revenue	26,614	27,230
Gross profit	5,524	5,479
Loss before tax	(2,575)	(1,327)

Surface Treatment & Precision Cleaning Division

Total revenue from Surface Treatment & Precision Cleaning for the current period declined by 2.26% as compared to the preceding year corresponding period. Gross profit margin remained relatively consistent at 20%.

Administrative expenses has increased by RM1,585,000 mainly due to increase in indirect staff cost and legal fees.

Overall, the Group reported a loss before tax of RM2.58 million as compared to a loss before tax of RM1.33 million in the previous year corresponding period.

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

	3 Months Ended	
	30.6.2017	31.3.2017
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning
	RM'000	RM'000
Revenue	12,846	13,768
Gross profit	2,152	3,372
Loss before tax	(2,052)	(523)

Surface Treatment & Precision Cleaning Division

The Group’s revenue from Surface Treatment & Precision Cleaning for current financial quarter has decreased by 6.70% as compared to the immediate preceding quarter, the net decrease is mainly due to decrease in Cassette washing services which more than offset increase in Component washing services.

Gross profit margin for the surface treatment and precision cleaning division decreased from 24.49% to 16.75% mainly due to higher labor and material set up cost for a spray paint project with new job specification.

Overall, the Group registered a loss before tax of RM2.05 million as compared to a loss before tax of RM0.52 million in the immediate preceding quarter.

17. Future Prospects

We expect the demand for our services from the Hard Disk Drive Industry to pick up from the 2nd half of 2017.

The Group is at the crossroad of costs control and the need to maintain a core team to operate our upcoming operating bases in the region. The new surface treatment equipment are expected to be operationally ready by the 4th quarter of 2017 and will contribute positively to the Group’s revenue and result from the next financial year.

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 30 June 2017, 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 30 June 2017 presented as follows:-

	RM’000
Long Term Borrowings	
Secured:-	
Term loan	71
Short Term Borrowings	
Secured:-	
Factoring loan	2,952

The total borrowings denominated in foreign currency as at 30 June 2017 are: -

	RM’000
Foreign currency – SGD 938,819 @ RM3.1182/SGD	2,927

21. Realised and Unrealised Profits/(Losses)

	As at 30.6.2017	As at 31.12.2016
	RM’000	RM’000
Total accumulated profit/(losses) of the Group:		
- Realised	(6,460)	(2,884)
- Unrealised	807	(424)
	<u>(5,653)</u>	<u>(3,308)</u>
Consolidated adjustments	11,716	11,445
Total Group retained earnings	<u>6,063</u>	<u>8,137</u>

22. Off Balance Sheet Financial Instruments

As at 30 June 2017, the Group does not have any off balance sheet financial instrument.

23. 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.

On 8 August 2017, the court has allowed the Plaintiff’s application for an interim injunction to restrain DWZ, their employees, servants and/or agents from entering or causing to enter into the Plaintiff’s land, constructing or installing or causing to be constructed or installed any form of piping or structure on the Plaintiff’s land and/or further releasing or discharging or causing to release or discharge Industrial Effluent and/or any other effluent or substance onto the Plaintiffs land such order to subsist until the 6 November 2017.

Solicitors for the Defendants have advised that this injunction, being only an interim injunction, does not amount to final disposal of the matter. It is in effect only until 6 November 2017. Whether or not the Defendants are actually liable for the Plaintiff’s claim is still a question to be decided by the Court after full trial of this matter.

In connection therewith, the Court has fixed this matter for Trial on the following dates:

December 2017	:	5th, 6th, 11th, 12th and 13th.
January 2018	:	8th, 9th and 10th.

24. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 30 June 2017.

25. (Loss)/Earnings Per Share

Basic

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

	3 Months Ended		6 Months Ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Net (loss)/profit for the period attributable to owners of the parent (RM'000)	(1,670)	31	(2,074)	(1,598)
Weighted average number of ordinary shares in issue ('000)	178,778	178,778	178,778	178,778
Basic LPS/EPS (sen)	(0.93)	0.02	(1.16)	(0.89)

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

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

	3 Months Ended 30 June 2017 RM'000	6 Months Ended 30 June 2017 RM'000
(a) Interest income	(7)	(10)
(b) Other income including investment income	(35)	(101)
(c) Interest expenses	32	61
(d) Depreciation and amortisation	1,125	2,238
(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) Intangible asset written off	-	-
(i) Foreign exchange loss	314	402
(j) Gain or loss on derivatives	-	-
(k) Bad debt recovered	-	-
(l) Gain on disposal of property, plant and equipment	(4)	(8)

- End -