

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

| | Note | 3 months ended | | Cumulative 6 months ended | |
|---|------|--|--------------|------------------------------|----------------|
| | | 30/6/19 | 30/6/18 | 30/6/19 | 30/6/18 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | | 13,412 | 17,854 | 26,913 | 33,710 |
| COST OF SALES | | (11,396) | (13,599) | (22,449) | (25,919) |
| GROSS PROFIT | | <u>2,016</u> | <u>4,255</u> | <u>4,464</u> | <u>7,791</u> |
| OTHER INCOME | | 212 | 251 | 86 | 108 |
| ADMINISTRATIVE EXPENSES | | (3,652) | (4,001) | (7,392) | (7,963) |
| SELLING AND DISTRIBUTION EXPENSES | | (205) | (239) | (376) | (467) |
| OTHER EXPENSES | | (22) | (49) | (23) | (367) |
| FINANCE COST | | (114) | (39) | (253) | (77) |
| (LOSS)/PROFIT BEFORE TAX | | <u>(1,765)</u> | <u>178</u> | <u>(3,494)</u> | <u>(975)</u> |
| TAX EXPENSE | 24 | (20) | (30) | (42) | (97) |
| (LOSS)/PROFIT FOR THE FINANCIAL PERIOD | | <u>(1,785)</u> | <u>148</u> | <u>(3,536)</u> | <u>(1,072)</u> |
| OTHER COMPREHENSIVE LOSS | | | | | |
| Foreign currency translation difference | | (115) | (65) | (44) | (190) |
| | | <u>(115)</u> | <u>(65)</u> | <u>(44)</u> | <u>(190)</u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL PERIOD | | <u>(1,900)</u> | <u>83</u> | <u>(3,580)</u> | <u>(1,262)</u> |
| (Loss)/Profit attributable to: | | | | | |
| Owners of the parent | | (1,178) | 108 | (2,797) | (1,251) |
| Non-controlling interests | | (607) | 40 | (739) | 179 |
| | | <u>(1,785)</u> | <u>148</u> | <u>(3,536)</u> | <u>(1,072)</u> |
| Total comprehensive (loss)/income attributable to: | | | | | |
| Owners of the parent | | (1,293) | 43 | (2,841) | (1,441) |
| Non-controlling interests | | (607) | 40 | (739) | 179 |
| | | <u>(1,900)</u> | <u>83</u> | <u>(3,580)</u> | <u>(1,262)</u> |
| (Loss)/Profit per share (sen) | | | | | |
| Basic | 25 | (0.66) | 0.06 | (1.56) | (0.70) |
| 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 2018 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

| | Note | <u>(UNAUDITED)</u> | <u>(AUDITED)</u> |
|--|------|-------------------------|-------------------------|
| | | As at 30/06/2019 | As at 31/12/2018 |
| | | RM'000 | RM'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 29,911 | 31,425 |
| Right-of-use assets | | 2,545 | - |
| | | <u>32,456</u> | <u>31,425</u> |
| Current assets | | | |
| Inventories | | 1,192 | 994 |
| Trade receivables | | 17,134 | 22,010 |
| Other receivables | | 2,904 | 3,872 |
| Right-of-use assets | | 2,963 | - |
| Tax recoverable | | 181 | 649 |
| Deposits with licensed banks | | 511 | 511 |
| Cash and bank balances | | 5,462 | 5,102 |
| | | <u>30,347</u> | <u>33,138</u> |
| TOTAL ASSETS | | <u>62,803</u> | <u>64,563</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 48,115 | 48,115 |
| Retained earnings | | (2,689) | 195 |
| Other reserves | | (22,095) | (22,051) |
| | | <u>23,331</u> | <u>26,259</u> |
| Non-controlling interests | | 9,810 | 10,549 |
| TOTAL EQUITY | | <u>33,141</u> | <u>36,808</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 856 | 856 |
| Lease liabilities | | 2,646 | - |
| Finance lease liabilities | | 16 | 45 |
| | | <u>3,518</u> | <u>901</u> |
| Current liabilities | | | |
| Trade payables | | 8,090 | 11,127 |
| Other payables | | 12,144 | 12,402 |
| Borrowings | 22 | 2,881 | 3,262 |
| Lease liabilities | | 2,984 | - |
| Finance lease liabilities | | 45 | 48 |
| Tax payables | | - | 15 |
| | | <u>26,144</u> | <u>26,854</u> |
| TOTAL LIABILITIES | | <u>29,662</u> | <u>27,755</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>62,803</u> | <u>64,563</u> |
| Net assets per share attributable to owners of the parent (RM) | | <u>0.13</u> | <u>0.15</u> |

(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 2018 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2019

Cumulative year ended 30 JUNE 2019

| | Non distributable | | | | | Distributable | TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT 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 | | | | RETAINED EARNINGS RM'000 |
| Balance as at 31.12.2018, as previously stated | 48,115 | - | (22,246) | 93 | 4,049 | (3,947) | 195 | 26,259 | 10,549 | 36,808 |
| Effect on adopting MFRS 16 | - | - | - | - | - | - | (87) | (87) | - | (87) |
| Adjusted balance as at 01.01.2019 | 48,115 | - | (22,246) | 93 | 4,049 | (3,947) | 108 | 26,172 | 10,549 | 36,721 |
| Loss for the financial period | - | - | - | - | - | - | (2,797) | (2,797) | (739) | (3,536) |
| Other comprehensive loss for the financial period | - | - | - | - | (44) | - | - | (44) | - | (44) |
| Total comprehensive loss for the financial period | - | - | - | - | (44) | - | (2,797) | (2,841) | (739) | (3,580) |
| Balance as at 30.06.2019 | 48,115 | - | (22,246) | 93 | 4,005 | (3,947) | (2,689) | 23,331 | 9,810 | 33,141 |

Cumulative year ended 30 JUNE 2018

| | Non distributable | | | | | Distributable | TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT 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 | | | | RETAINED EARNINGS 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 | - | - | - | - | - | - | (28) | (28) | - | (28) |
| Adjusted balance as at 01.01.2018 | 48,115 | - | (22,246) | 93 | 4,347 | (3,947) | 4,521 | 30,883 | 12,643 | 43,526 |
| Loss for the financial period | - | - | - | - | - | - | (1,251) | (1,251) | 179 | (1,072) |
| Other comprehensive loss for the financial period | - | - | - | - | (190) | - | - | (190) | - | (190) |
| Total comprehensive loss for the financial period | - | - | - | - | (190) | - | (1,251) | (1,441) | 179 | (1,262) |
| Balance as at 30.06.2018 | 48,115 | - | (22,246) | 93 | 4,157 | (3,947) | 3,270 | 29,442 | 12,822 | 42,264 |

(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 2018 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 30 JUNE 2019**

| | 6 months ended | |
|--|-----------------------|------------------|
| | 30/6/2019 | 30/6/2018 |
| | RM'000 | RM'000 |
| OPERATING ACTIVITIES | | |
| Loss before tax | (3,494) | (975) |
| Adjustments for: | | |
| Bad debt written off | 22 | 49 |
| Depreciation of property, plant and equipment | 2,294 | 2,305 |
| Amortisation of right-of-use assets | 1,661 | - |
| Interest income | (1) | (1) |
| Interest expenses | 253 | 77 |
| Allowance for doubtful debts | 7 | - |
| Unrealised loss on foreign exchange | (181) | (55) |
| Operating profit/(loss) before working capital changes | 561 | 1,400 |
| Changes in working capital:- | | |
| Inventories | (194) | 162 |
| Receivables | 6,046 | (374) |
| Payables | (3,442) | 1,555 |
| CASH GENERATED FROM OPERATIONS | 2,971 | 2,743 |
| Tax refunded/(paid) | 410 | 358 |
| NET CASH FROM OPERATING ACTIVITIES | 3,381 | 3,101 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (717) | (3,954) |
| Interest received | 2 | 1 |
| NET CASH USED IN INVESTING ACTIVITIES | (715) | (3,953) |
| FINANCING ACTIVITIES | | |
| Repayment of borrowings | (404) | (25) |
| Interest paid | (253) | (77) |
| Repayment of lease liabilities | (1,629) | - |
| Repayment of term loan | (31) | - |
| NET CASH (USED IN)/FROM FINANCING ACTIVITIES | (2,317) | (102) |
| CASH AND CASH EQUIVALENTS | | |
| Net changes | 349 | (954) |
| Brought forward | 5,102 | 5,119 |
| Effects of exchange translation differences on cash and cash equivalents | 11 | (40) |
| Carried forward | 5,462 | 4,125 |

(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 2018 and the accompanying explanatory notes attached to this interim financial statements.)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2019

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 2018. 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 2018.

2. Significant Accounting Policies

There are no new MFRSs or interpretations that are effective for the first time in this quarter that would be expected to have a material effect of the Group.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2018 except for changes arising from the adoption of MFRS 16 *Leases* as described below:

Adoption of MFRS 16 Leases

The Group has adopted MFRS 16 *Leases* with effective from 1 January 2019. The standard replaces the MFRS 117 *Leases*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its present obligations to make lease payments.

There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains unchanged to the current standard which continues to be classified as finance or operating lease.

As allowed by the transactional provision, the Group applies modified retrospective approach without any restatement of comparative information and its impact of adopting MFRS 16 was recognised as an adjustment to the opening balance of components at 1 January 2019 as follows.

2. Significant Accounting Policies (continued)

Adoption of MFRS 16 Leases (continued)

Impact of change in accounting policies in Condensed Consolidated Statement of Financial Position as at 1 January 2019

| Opening Balance | As previously reported RM'000 | MFRS 16 adjustment RM'000 | After adjustment RM'000 |
|---------------------------|--|--------------------------------------|------------------------------------|
| <u>Assets</u> | | | |
| Right-of-use assets | | | |
| - Non-current assets | - | 3,865 | 3,865 |
| - Current assets | - | 3,359 | 3,359 |
| <u>Liabilities</u> | | | |
| Lease liabilities | | | |
| - Non-current assets | - | 3,978 | 3,978 |
| - Current assets | - | 3,333 | 3,333 |
| <u>Equity</u> | | | |
| Retained earnings | 195 | (87) | 108 |

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 30 June 2019.

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 | 6 Months Ended 30.06.2019 RM'000 | 6 Months Ended 30.06.2018 RM'000 |
| People’s Republic of China | 3,571 | 6,139 |
| Malaysia | 12,250 | 14,458 |
| Singapore | 16,430 | 20,134 |
| Others | 855 | 1,054 |
| Inter segment | (6,193) | (8,075) |
| | 26,913 | 33,710 |

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 RM392,500.

(b) Contingent assets

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

14. Capital Commitment

| | As at 30.06.2019 RM'000 | As at 30.06.2018 RM'000 |
|--|--|--|
| Authorised but not contracted for:- | | |
| Office equipment, electrical fittings and furniture and fittings | 52 | 2,258 |
| Plant and machineries | - | 38 |
| | 52 | 98 |

15. Review of Performance

Comparison between Current Financial Quarter Ended 30 June 2019 and Previous Corresponding Quarter Ended 30 June 2018

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

| | 3 Months Ended | | Increase/(Decrease) | |
|--|--|--|---------------------|---------|
| | 30.06.2019 | 30.06.2018 | | |
| | Surface Treatment & Precision Cleaning RM’000 | Surface Treatment & Precision Cleaning RM’000 | RM’000 | % |
| Revenue | 13,412 | 17,854 | (4,442) | (24.88) |
| Gross profit | 2,016 | 4,255 | (2,239) | (52.62) |
| (Loss)/Profit before tax | (1,765) | 178 | (1,943) | NA |
| (Loss)/Profit after tax | (1,785) | 148 | (1,933) | NA |
| (Loss)/Profit attributable to owners of the parent | (1,178) | 108 | (1,286) | NA |

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter decreased by 24.88% as compared to the preceding year corresponding quarter. The decline is across all surface treatment and precision cleaning services.

Precision cleaning gross profit margin was slightly affected while surface treatment services were greatly impacted by the lower revenue from its HDD and electronics segment by approximately RM2.10 million and high rework of certain project. Overall gross profit margin decreased from 23.83% to 15.03% in the current quarter.

The Group’s finance cost was increased by RM75,000 mainly due to lease liabilities interest charged according to the new accounting standard adopted (MFRS 16) in the current financial quarter.

Overall, the Group reported a loss before tax of RM1.77 million in the current financial quarter as compared to a profit before tax of RM0.18 million in the previous year corresponding quarter.

Comparison between Current Period-to-date Ended 30 June 2019 and Previous Corresponding Period-to-date Ended 30 June 2018

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

| | 6 Months Ended | | Increase/(Decrease) | |
|---|--|--|---------------------|---------|
| | 30.06.2019 | 30.06.2018 | | |
| | Surface Treatment & Precision Cleaning RM’000 | Surface Treatment & Precision Cleaning RM’000 | RM’000 | % |
| Revenue | 26,913 | 33,710 | (6,797) | (20.16) |
| Gross profit | 4,464 | 7,791 | (3,327) | (42.70) |
| Loss before tax | (3,494) | (975) | (2,519) | NA |
| Loss after tax | (3,536) | (1,072) | (2,464) | NA |
| Loss attributable to owners of the parent | (2,797) | (1,251) | (1,546) | NA |

15. Review of Performance (continued)

Comparison between Current Period-to-date Ended 30 June 2019 and Previous Corresponding Period-to-date Ended 30 June 2018 (continued)

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter decreased by 20.16% as compared to the preceding year corresponding quarter. The decline is across all surface treatment and precision cleaning services.

Precision cleaning gross profit margin decreased slightly from 21.52% to 20.54% and surface treatment services were impacted by the lower revenue from its HDD and electronics segment by approximately RM3.27 million. Overall gross profit margin decreased from 23.11% to 16.59% in the current quarter.

Other expenses decreased by RM344,000 due to in the previous year corresponding quarter the Group suffered an exchange loss of RM318,000 as compared to exchange gain RM6,000 in the current quarter.

The Group’s finance cost was increased by RM176,000 mainly due to lease liabilities interest charged according to the new accounting standard adopted (MFRS 16) in the current financial quarter.

Overall, the Group reported a loss before tax of RM3.49 million in the current financial quarter as compared to a loss before tax of RM0.98 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 | | |
|---|---|---|----------------------------|----------|
| | 30.06.2019 | 31.03.2019 | | |
| | Surface Treatment & Precision Cleaning | Surface Treatment & Precision Cleaning | Increase/(Decrease) | |
| | RM’000 | RM’000 | RM’000 | % |
| Revenue | 13,412 | 13,501 | (89) | (0.66) |
| Gross profit | 2,016 | 2,448 | (432) | (17.65) |
| Loss before tax | (1,765) | (1,729) | (36) | NA |
| Loss after tax | (1,785) | (1,751) | (34) | NA |
| Loss attributable to owners of the parent | (1,178) | (1,619) | 441 | NA |

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter remain about the same as compared to the preceding year corresponding quarter.

The overall gross profit margin decreased from 18.13% to 15.03%.

For the immediate preceding quarter, included in the Group other expenses was an amount of RM174,000 million relating to exchange loss compared to exchange gain RM181,000 in other income in current quarter.

The Group registered a loss before tax of RM1.77 million as compared to a loss before tax of RM1.73 million in the immediate preceding quarter.

17. Future Prospects

Demand for surface treatment services is expected to remain weak while demand for precision cleaning services is expected to remain stable. The overall performance is expected to remain weak.

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 2019, 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 2019 presented as follows:-

| | As at 2nd quarter ended 2019 | | | | | |
|-------------------------|------------------------------|--|------------------------------|--|------------------------------|--|
| | 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 | | | | | | |
| Finance lease liability | - | 16 | - | 45 | - | 61 |
| Factoring loan | - | - | 944 | 2,881 | 944 | 2,881 |

| | As at 2nd quarter ended 2018 | | | | | |
|-------------------------|------------------------------|--|------------------------------|--|------------------------------|--|
| | 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 | | | | | | |
| Finance lease liability | - | 21 | - | 25 | - | 46 |
| Factoring loan | - | - | 1,089 | 3,221 | 1,089 | 3,221 |

20. Group Borrowings and Debt Securities (continued)

The total borrowings denominated in foreign currency as at 30 June 2019 are: -

| | RM’000 |
|---|---------------|
| Foreign currency – SGD 943,913 @ RM3.0516/SGD | <u>2,881</u> |

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 30 June 2019, 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.

The Appeal brought by DWZ Entities has now been fixed for Hearing before the Court of Appeal, Putrajaya on 12 November 2019.

23. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 30 June 2019.

24. Tax (Income)/Expense

Details of taxation are as follows: -

| | 3 Months Ended | | 6 Months Ended | |
|-------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current taxation | - | 30 | 22 | 97 |
| Under provision in prior year | 20 | - | 20 | - |
| | <u>21</u> | <u>30</u> | <u>42</u> | <u>97</u> |

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 | | 6 Months Ended | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | 30.06.2019 | 30.06.2018 | 30.06.2019 | 30.06.2018 |
| Net loss for the period attributable to owners of the parent (RM'000) | (1,178) | 108 | (2,797) | (1,251) |
| Weighted average number of ordinary shares in issue ('000) | 178,778 | 178,778 | 178,778 | 178,778 |
| Basic LPS (sen) | (0.66) | 0.06 | (1.56) | (0.70) |

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 | 6 Months Ended |
|--|-----------------------|-----------------------|
| | 30 June 2019 | 30 June 2019 |
| | RM'000 | RM'000 |
| (a) Interest income | (1) | (2) |
| (b) Other income including investment income | (211) | (86) |
| (c) Interest expenses | 114 | 253 |
| (d) Depreciation and amortisation | 1,944 | 3,955 |
| (e) Bad debts written off | 22 | 22 |
| (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 | - | - |

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

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

| | 3 Months Ended 30 June 2019 | 6 Months Ended 30 June 2019 |
|----------------------------------|--|--|
| (i) Foreign exchange (gain)/loss | (181) | (6) |
| (j) Gain or loss on derivatives | - | - |
| (k) Exceptional items | - | - |

- End -