

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2020**

|  | Note | 3 months ended |                | Cumulative<br>6 months ended |                |
|--|------|----------------|----------------|------------------------------|----------------|
|  |      | 30/06/20       | 30/06/19       | 30/06/20                     | 30/06/19       |
|  |      | RM'000         | RM'000         | RM'000                       | RM'000         |
| REVENUE  |      | 12,469         | 13,412         | 26,181                       | 26,913         |
| COST OF SALES  |      | (10,199)       | (11,396)       | (21,007)                     | (22,449)       |
| GROSS PROFIT   |      | <u>2,270</u>   | <u>2,016</u>   | <u>5,174</u>                 | <u>4,464</u>   |
| OTHER INCOME   |      | 1,883          | 212            | 1,820                        | 86             |
| ADMINISTRATIVE EXPENSES                              |      | (3,240)        | (3,652)        | (6,687)                      | (7,392)        |
| SELLING AND DISTRIBUTION EXPENSES                    |      | (155)          | (205)          | (342)                        | (376)          |
| OTHER EXPENSES                                       |      | (483)          | (22)           | (483)                        | (23)           |
| FINANCE COST   |      | (107)          | (114)          | (253)                        | (253)          |
| PROFIT/(LOSS) BEFORE TAX                             |      | <u>168</u>     | <u>(1,765)</u> | <u>(771)</u>                 | <u>(3,494)</u> |
| TAX EXPENSE  | 24   | (63)           | (20)           | (63)                         | (42)           |
| PROFIT/(LOSS) FOR THE FINANCIAL PERIOD               |      | <u>105</u>     | <u>(1,785)</u> | <u>(834)</u>                 | <u>(3,536)</u> |
| OTHER COMPREHENSIVE (LOSS)/INCOME                    |      |                |                |                              |                |
| Foreign currency translation difference              |      | (108)          | (115)          | 185                          | (44)           |
|  |      | <u>(108)</u>   | <u>(115)</u>   | <u>185</u>                   | <u>(44)</u>    |
| TOTAL COMPREHENSIVE LOSS<br>FOR THE FINANCIAL PERIOD |      | <u>(3)</u>     | <u>(1,900)</u> | <u>(649)</u>                 | <u>(3,580)</u> |
| PROFIT/(LOSS) attributable to:                       |      |                |                |                              |                |
| Owners of the parent                                 |      | 306            | (1,178)        | (546)                        | (2,797)        |
| Non-controlling interests                            |      | (201)          | (607)          | (288)                        | (739)          |
|  |      | <u>105</u>     | <u>(1,785)</u> | <u>(834)</u>                 | <u>(3,536)</u> |
| Total comprehensive loss attributable to:            |      |                |                |                              |                |
| Owners of the parent                                 |      | 198            | (1,293)        | (361)                        | (2,841)        |
| Non-controlling interests                            |      | (201)          | (607)          | (288)                        | (739)          |
|  |      | <u>(3)</u>     | <u>(1,900)</u> | <u>(649)</u>                 | <u>(3,580)</u> |
| Earning/(Loss) per share (sen)                       |      |                |                |                              |                |
| Basic  | 25   | 0.16           | (0.66)         | (0.28)                       | (1.56)         |
| Diluted  | 25   | 0.14           | ##             | ##                           | ##             |

## 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 2019 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

|  | Note | <b>(UNAUDITED)</b>      | <b>(AUDITED)</b>        |
|--|------|-------------------------|-------------------------|
|  |      | <b>As at 30/06/2020</b> | <b>As at 31/12/2019</b> |
|  |      | <b>RM'000</b>           | <b>RM'000</b>           |
| <b>ASSETS</b>  |      |                         |                         |
| <b>Non-current assets</b>                                      |      |                         |                         |
| Property, plant and equipment                                  |      | 27,324                  | 27,868                  |
| Right-of-use assets  |      | 5,949                   | 4,426                   |
| Deferred tax assets  |      | 1,440                   | 1,422                   |
| Trade receivables  |      | 930                     | 1,010                   |
|  |      | <b>35,643</b>           | <b>34,726</b>           |
| <b>Current assets</b>  |      |                         |                         |
| Inventories  |      | 851                     | 698                     |
| Trade receivables  |      | 13,900                  | 16,854                  |
| Other receivables  |      | 3,023                   | 3,330                   |
| Tax recoverable  |      | 15                      | 41                      |
| Deposits with licensed banks                                   |      | 523                     | 523                     |
| Cash and bank balances   |      | 4,917                   | 6,030                   |
|  |      | <b>23,229</b>           | <b>27,476</b>           |
| <b>TOTAL ASSETS</b>  |      | <b>58,872</b>           | <b>62,202</b>           |
| <b>EQUITY AND LIABILITIES</b>                                  |      |                         |                         |
| <b>Equity attributable to owners of the parent</b>             |      |                         |                         |
| Share capital  |      | 50,973                  | 48,115                  |
| Accumulated losses   |      | (2,875)                 | (2,329)                 |
| Other reserves   |      | (22,073)                | (22,258)                |
|  |      | <b>26,025</b>           | <b>23,528</b>           |
| Non-controlling interests                                      |      | 9,180                   | 9,468                   |
| <b>TOTAL EQUITY</b>  |      | <b>35,205</b>           | <b>32,996</b>           |
| <b>Non-current liabilities</b>                                 |      |                         |                         |
| Other payables   |      | 393                     | 501                     |
| Borrowings   | 20   | 2,102                   | 2,102                   |
| Lease liabilities  |      | 2,863                   | 1,643                   |
| Deferred tax liabilities                                       |      | 155                     | 155                     |
|  |      | <b>5,513</b>            | <b>4,401</b>            |
| <b>Current liabilities</b>                                     |      |                         |                         |
| Trade payables   |      | 6,150                   | 8,082                   |
| Other payables   |      | 6,453                   | 10,630                  |
| Borrowings   | 20   | 2,343                   | 3,240                   |
| Lease liabilities  |      | 3,208                   | 2,808                   |
| Tax payable  |      | -                       | 45                      |
|  |      | <b>18,154</b>           | <b>24,805</b>           |
| <b>TOTAL LIABILITIES</b>                                       |      | <b>23,667</b>           | <b>29,206</b>           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |      | <b>58,872</b>           | <b>62,202</b>           |
| Net assets per share attributable to owners of the parent (RM) |      | 0.13                    | 0.13                    |

(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 2019 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 2020

**Cumulative year ended 30 June 2020**

|   | Non distributable       |                         |                          |                           |  | Distributable           | TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT<br>RM'000 | NON-CONTROLLING INTERESTS<br>RM'000 | TOTAL EQUITY<br>RM'000 |                              |
|---|-------------------------|-------------------------|--------------------------|---------------------------|--|-------------------------|--|-------------------------------------|------------------------|------------------------------|
|   | SHARE CAPITAL<br>RM'000 | SHARE PREMIUM<br>RM'000 | MERGER DEFICIT<br>RM'000 | WARRANT RESERVE<br>RM'000 | CURRENCY FLUCTUATION RESERVE<br>RM'000 | OTHER RESERVE<br>RM'000 |  |                                     |                        | ACCUMULATED LOSSES<br>RM'000 |
| Balance as at 31.12.2019, as previously stated    | 48,115                  | -                       | (22,246)                 | 93                        | 3,842                                  | (3,947)                 | (2,329)  | 23,528                              | 9,468                  | 32,996                       |
| Warrant conversion exercise                       | 233                     | -                       | -                        | -                         | -                                      | -                       | -  | 233                                 | -                      | 233                          |
| Private placement exercise                        | 2,625                   | -                       | -                        | -                         | -                                      | -                       | -  | 2,625                               | -                      | 2,625                        |
| <b>Transaction with owners:-</b>                  |                         |                         |                          |                           |  |                         |  |                                     |                        |                              |
| Loss for the financial period                     | -                       | -                       | -                        | -                         | -                                      | -                       | (546)  | (546)                               | (288)                  | (834)                        |
| Other comprehensive gain for the financial period | -                       | -                       | -                        | -                         | 185                                    | -                       | -  | 185                                 | -                      | 185                          |
| Total comprehensive loss for the financial period | -                       | -                       | -                        | -                         | 185                                    | -                       | (546)  | (361)                               | (288)                  | (649)                        |
| <b>Balance as at 30.06.2020</b>                   | <b>50,973</b>           | <b>-</b>                | <b>(22,246)</b>          | <b>93</b>                 | <b>4,027</b>                           | <b>(3,947)</b>          | <b>(2,875)</b>                                       | <b>26,025</b>                       | <b>9,180</b>           | <b>35,205</b>                |

**Cumulative year ended 30 June 2019**

|   | Non distributable       |                         |                          |                           |  | Distributable           | TOTAL ATTRIBUTABLE TO OWNERS OF THE PARENT<br>RM'000 | NON-CONTROLLING INTERESTS<br>RM'000 | TOTAL EQUITY<br>RM'000 |  |
|---|-------------------------|-------------------------|--------------------------|---------------------------|--|-------------------------|--|-------------------------------------|------------------------|--|
|   | SHARE CAPITAL<br>RM'000 | SHARE PREMIUM<br>RM'000 | MERGER DEFICIT<br>RM'000 | WARRANT RESERVE<br>RM'000 | CURRENCY FLUCTUATION RESERVE<br>RM'000 | OTHER RESERVE<br>RM'000 |  |                                     |                        | RETAINED EARNINGS/<br>(ACCUMULATED LOSSES)<br>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)   |
| <b>Adjusted balance as at 01.01.2019</b>          | <b>48,115</b>           | <b>-</b>                | <b>(22,246)</b>          | <b>93</b>                 | <b>4,049</b>                           | <b>(3,947)</b>          | <b>108</b>   | <b>26,172</b>                       | <b>10,549</b>          | <b>36,721</b>  |
| 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)  |
| <b>Balance as at 30.06.2019</b>                   | <b>48,115</b>           | <b>-</b>                | <b>(22,246)</b>          | <b>93</b>                 | <b>4,005</b>                           | <b>(3,947)</b>          | <b>(2,689)</b>                                       | <b>23,331</b>                       | <b>9,810</b>           | <b>33,141</b>  |

(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 2019 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

|  | <b>6 months ended</b> |                       |
|--|-----------------------|-----------------------|
|  | <b>30/06/2020</b>     | <b>30/06/2019</b>     |
|  | <b>RM'000</b>         | <b>RM'000</b>         |
| <b>OPERATING ACTIVITIES</b>  |                       |                       |
| Loss before tax  | (771)                 | (3,494)               |
| Adjustments for:   |                       |                       |
| Allowance for impairment loss on trade receivables                       | 400                   | 7                     |
| Bad debt written off   | 83                    | 22                    |
| Depreciation of property, plant and equipment                            | 1,663                 | 2,294                 |
| Depreciation of right-of-use assets                                      | 1,771                 | 1,661                 |
| Interest expenses  | 253                   | 253                   |
| Interest income  | (5)                   | (1)                   |
| Unrealised loss on foreign exchange                                      | (138)                 | (181)                 |
| Operating profit before working capital changes                          | <u>3,256</u>          | <u>561</u>            |
| Changes in working capital:-   |                       |                       |
| Inventories  | (167)                 | (194)                 |
| Receivables  | 3,155                 | 6,046                 |
| Payables   | (6,072)               | (3,442)               |
| <b>CASH GENERATED FROM OPERATIONS</b>                                    | <u>172</u>            | <u>2,971</u>          |
| Tax (paid)/refunded  | (117)                 | 410                   |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>                      | <u><b>55</b></u>      | <u><b>3,381</b></u>   |
| <b>INVESTING ACTIVITIES</b>  |                       |                       |
| Purchase of property, plant and equipment                                | (1,203)               | (717)                 |
| Interest received  | 5                     | 2                     |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                             | <u><b>(1,198)</b></u> | <u><b>(715)</b></u>   |
| <b>FINANCING ACTIVITIES</b>  |                       |                       |
| Repayment of account receivables financing                               | (860)                 | (404)                 |
| Interest paid  | (253)                 | (253)                 |
| Proceed from warrant conversion  | 233                   | -                     |
| Proceed from private placement   | 2,625                 | -                     |
| Repayment of lease liabilities   | (1,673)               | (1,629)               |
| Repayment of term loan   | (12)                  | (31)                  |
| <b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>            | <u><b>60</b></u>      | <u><b>(2,317)</b></u> |
| <b>CASH AND CASH EQUIVALENTS</b>   |                       |                       |
| Net changes  | (1,083)               | 349                   |
| Brought forward  | 6,030                 | 5,102                 |
| Effects of exchange translation differences on cash and cash equivalents | (30)                  | 11                    |
| Carried forward  | <u><b>4,917</b></u>   | <u><b>5,462</b></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 2019 and the accompanying explanatory notes attached to this interim financial statements.)

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL YEAR ENDED 30 JUNE 2020**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL YEAR ENDED 30 JUNE 2020**

**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 2019. 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 2019.

**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 2019, except for the adoption of the following Amendments and Annual Improvements to Standards effective for the annual periods beginning on or after 1 January 2020.

- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in MFRS Standards

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 June 2020
  - Amendment to MFRS 16, Leases – Covid-19 Related Rent Concessions
- ii) MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022
  - Amendments 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 – 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

**2. Significant Accounting Policies (continued)**

Standards issued but not yet effective (continued)

- iii) MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023
- MFRS 17, Insurance Contracts
  - Amendments to MFRS17, Insurance Contracts
  - Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- iv) 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**

Except for other income arising from Covid-19 related government grant (see note 15 and 16), there were 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 2020.

**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 year-to-date under review is set out below:

**Geographical information**

Revenue information based on the geographical location of customers are as follows:-

| <b>Location</b>            | <b><u>6 Months Ended</u></b> | <b><u>6 Months Ended</u></b> |
|----------------------------|------------------------------|------------------------------|
|                            | <b>30.06.2020</b>            | <b>30.06.2019</b>            |
|                            | <b>RM'000</b>                | <b>RM'000</b>                |
| People's Republic of China | 3,118                        | 3,571                        |
| Malaysia                   | 10,083                       | 12,250                       |
| Singapore                  | 19,635                       | 16,430                       |
| Others                     | 1,193                        | 855                          |
| Inter segment              | (7,848)                      | (6,193)                      |
|                            | <b><u>26,181</u></b>         | <b><u>26,913</u></b>         |

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 RM400,000 and RM705,937 respectively.

(b) Contingent assets

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

**14. Capital Commitment**

|   | As at<br>30.06.2020<br>RM'000 | As at<br>30.06.2019<br>RM'000 |
|---|-------------------------------|-------------------------------|
| Authorised but not contracted for:-<br>Office equipment, electrical fittings and furniture and fittings | -                             | 52                            |

**15. Review of Performance**

**Comparison between Current Financial Quarter Ended 30 June 2020 and Previous Corresponding Quarter Ended 30 June 2019**

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

|  | 3 Months Ended   |  |                               |        |
|--|--|--|-------------------------------|--------|
|  | 30.06.2020   | 30.06.2019   |                               |        |
|  | Surface Treatment<br>& Precision<br>Cleaning<br>RM'000 | Surface Treatment<br>& Precision<br>Cleaning<br>RM'000 | Increase/(Decrease)<br>RM'000 | %      |
| Revenue  | 12,469   | 13,412   | (943)                         | (7.03) |
| Gross profit                                       | 2,270  | 2,016  | 254                           | 12.60  |
| Profit/(Loss) before tax                           | 168  | (1,765)  | 1,933                         | NA     |
| Profit/(Loss) after tax                            | 105  | (1,785)  | 1,890                         | NA     |
| Profit/(Loss) attributable to owners of the parent | 306  | (1,178)  | 1,484                         | NA     |

**Surface Treatment & Precision Cleaning Division**

Revenue for the current financial quarter decreased by 7.03% as compared to the previous corresponding quarter. The decline is mainly from surface treatment services.

Overall gross profit margin increased from 15.03% to 18.21% in the current financial quarter. In the previous corresponding quarter, the Group had scaled down the clean bulk pack business in Chongqing China but the fixed cost still continue charged during the previous corresponding quarter.

The Group’s administrative expenses was decreased by RM412,000 as compared to the previous corresponding quarter mainly due to cost reduction in indirect staff salaries & benefits, legal & professional fee, office maintenance, rental expenses and entertainment & travelling expenses.

The Group’s other expenses was increased by RM461,000 mainly due to the allowance for impairment loss on trade receivables increased by RM400,000 as compared with previous corresponding quarter.

The Group’s other income was increased by RM1,671,000 as compared to the previous corresponding quarter mainly due to the Covid-19 related government grant received from Singapore and Malaysia subsidiaries of approximately RM1,091,000 and insurance claimed of approximately RM411,000.

Overall, the Group reported a profit before tax of RM0.168 million in the current financial quarter as compared to a loss before tax of RM1.765 million in the previous corresponding quarter.



**15. Review of Performance (continued)**

**Comparison between Current Period-to-date Ended 30 June 2020 and Previous Corresponding Period-to-date Ended 30 June 2019**

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

|   | 6 Months Ended                         |  | Increase/(Decrease) |        |
|---|--|--|---------------------|--------|
|   | 30.06.2020                             | 30.06.2019                             |                     |        |
|   | Surface Treatment & Precision Cleaning | Surface Treatment & Precision Cleaning |                     |        |
|   | RM’000                                 | RM’000                                 | RM’000              | %      |
| Revenue                                   | 26,181                                 | 26,913                                 | (732)               | (2.72) |
| Gross profit                              | 5,174                                  | 4,464                                  | 710                 | 15.91  |
| Loss before tax                           | (771)                                  | (3,494)                                | 2,723               | NA     |
| Loss after tax                            | (834)                                  | (3,536)                                | 2,702               | NA     |
| Loss attributable to owners of the parent | (546)                                  | (2,797)                                | 2,251               | NA     |

**Surface Treatment & Precision Cleaning Division**

Revenue for the current period-to-date decreased by 2.72% as compared to the preceding corresponding period-to-date. The decline is mainly from surface treatment services.

Overall gross profit margin increased from 16.59% to 19.76% in the current period-to-date. In the previous corresponding period-to-date, the Group had scaled down the clean bulk pack business in Chongqing China but the fixed cost still continue charged during the previous corresponding period-to-date.

The Group’s administrative expenses was decreased by RM705,000 as compared to the previous corresponding period-to-date mainly due to cost reduction in indirect staff salaries & benefits, legal & professional fee, depreciation & amortisation, rental expenses and entertainment & travelling expenses.

The Group’s other expenses was increased by RM460,000 mainly due to the allowance for impairment loss on trade receivables increased by RM400,000 as compared with previous corresponding period-to-date.

The Group’s other income was increased by RM1,734,000 as compared to the previous corresponding period-to-date mainly due to the Covid-19 related government grant received from our Singapore and Malaysia subsidiary companies approximately RM1,091,000, insurance claimed approximately RM411,000.

Overall, the Group reported a loss before tax of RM0.771 million in the current financial period-to-date as compared to a loss before tax of RM3.494 million in the previous year corresponding period-to-date.

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

|  | <b>Current Quarter</b>                            | <b>Immediate Preceding Quarter</b>                |                            |          |
|--|---|---|----------------------------|----------|
|  | <b>30.06.2020</b>                                 | <b>31.03.2020</b>                                 |                            |          |
|  | <b>Surface Treatment &amp; Precision Cleaning</b> | <b>Surface Treatment &amp; Precision Cleaning</b> | <b>Increase/(Decrease)</b> |          |
|  | <b>RM'000</b>                                     | <b>RM'000</b>                                     | <b>RM'000</b>              | <b>%</b> |
| Revenue  | 12,469  | 13,712  | (1,243)                    | (9.07)   |
| Gross profit                                       | 2,270   | 2,904   | (634)                      | (21.83)  |
| Profit/(Loss) before tax                           | 168   | (939)   | 1,107                      | NA       |
| Profit/(Loss) after tax                            | 105   | (939)   | 1,044                      | NA       |
| Profit/(Loss) attributable to owners of the parent | 306   | (852)   | 1,158                      | NA       |

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter decreased by 9.07% and overall gross profit margin decreased from 21.18% to 18.21% in the current quarter. The decrease is mainly due to surface treatment operations affected by Malaysia Movement Control Order (MCO) in our Malaysia subsidiary during the current quarter.

The Group’s administrative expenses decreased by RM207,000 as compared to the immediate preceding quarter mainly due to reduction in indirect staff salaries and office maintenance.

The Group’s other expenses was increased by RM483,000 mainly due to the allowance for impairment loss on trade receivables increased by RM400,000 as compared with immediate preceding quarter.

The Group’s other income was increased by RM1,800,000 as compared to the immediate preceding quarter mainly due to the Covid-19 related government grant received from our Singapore and Malaysia subsidiary companies approximately RM1,091,000 and insurance claimed approximately RM411,000.

The Group registered a profit before tax of RM0.168 million as compared to a loss before tax of RM0.939 million in the immediate preceding quarter.

**17. Future Prospects**

Total revenue has gradually recovered following the lifting of restriction in factory operations in Malaysia and Singapore. While we expect 2nd half 2020 revenue be higher than the 1st half 2020, operating 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 2020, 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                      | 5,935,000   | 22,240,996                           |

**20. Group Borrowings and Debt Securities**

The Group’s borrowings as at 30 June 2020 presented as follows:-

|                | As at 2nd quarter ended 2020    |   |                                 |   |                                 |   |
|----------------|---------------------------------|---|---------------------------------|---|---------------------------------|---|
|                | Long term                       |   | Short term                      |   | Total borrowings                |   |
|                | Foreign denomination<br>SGD’000 | RM denomination and RM equivalent<br>RM’000 | Foreign denomination<br>SGD’000 | RM denomination and RM equivalent<br>RM’000 | Foreign denomination<br>SGD’000 | RM denomination and RM equivalent<br>RM’000 |
| <b>Secured</b> |                                 |   |                                 |   |                                 |   |
| Term loan      | -                               | 2,102                                       | -                               | 55  | -                               | 2,157                                       |
| Factoring loan | -                               | -   | 744                             | 2,288                                       | 744                             | 2,288                                       |

|                | As at 2nd quarter ended 2019    |   |                                 |   |                                 |   |
|----------------|---------------------------------|---|---------------------------------|---|---------------------------------|---|
|                | Long term                       |   | Short term                      |   | Total borrowings                |   |
|                | Foreign denomination<br>SGD’000 | RM denomination and RM equivalent<br>RM’000 | Foreign denomination<br>SGD’000 | RM denomination and RM equivalent<br>RM’000 | Foreign denomination<br>SGD’000 | RM denomination and RM equivalent<br>RM’000 |
| <b>Secured</b> |                                 |   |                                 |   |                                 |   |
| Factoring loan | -                               | -   | 944                             | 2,881                                       | 944                             | 2,881                                       |

The total borrowings denominated in foreign currency as at 30 June 2020 are: -

|   |               |
|---|---------------|
|   | <b>RM’000</b> |
| Foreign currency – SGD 743,913 @ RM3.0750/SGD | <u>2,288</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 4.40% per annum.

**21. Off Balance Sheet Financial Instruments**

As at 30 June 2020, the Group is a party to a foreign currency forward contract to sell USD300,000 at the rate ranging from 1.3780 to 1.4401. Had the contract been settled at the financial position date, the net effect on the exchange exposure is an increase in the loss of RM7,149.

**22. Material Litigation**

There was no pending material litigation from 1 January 2020 up to the date of this quarterly announcement.

**23. Dividend Payable**

There was no dividend payable or proposed during the current quarter ended 30 June 2020.

**MCLEAN TECHNOLOGIES BERHAD (“MCLEAN” OR “THE COMPANY”)  
(Company No: 201001009003 (893631-T))**

**24. Tax (Income)/Expense**

Details of taxation are as follows: -

|                               | 3 Months Ended       |                      | 6 Months Ended       |                      |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
|                               | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 |
| Current taxation              | -                    | -                    | -                    | 22                   |
| Under provision in prior year | 63                   | 20                   | 63                   | 20                   |
|                               | <u>63</u>            | <u>20</u>            | <u>63</u>            | <u>42</u>            |
| Effective tax rate            | (38%)                | 1%                   | 8%                   | 1%                   |
| Statutory tax rate            | 24%                  | 24%                  | 24%                  | 24%                  |
| Variance                      | 62%                  | 23%                  | 16%                  | 23%                  |

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. Earnings/Loss Per Share (“EPS/LPS”)**

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

|  | 3 Months Ended |            | Cumulative 6 Months Ended |            |
|--|----------------|------------|---------------------------|------------|
|  | 30.06.2020     | 30.06.2019 | 30.06.2020                | 30.06.2019 |
| Net profit/(loss) for the period attributable to owners of the parent (RM'000) | 306            | (1,178)    | (546)                     | (2,797)    |
| Weighted average number of ordinary shares in issue ('000)*                    | 197,213        | 197,213    | 195,102                   | 195,102@   |
| Basic earning/(loss) per share (sen)   | 0.16           | (0.60)     | (0.28)                    | (1.43)     |

@ Adjusted for 17,500,000 ordinary shares issued under the private placement and 935,000 warrants exercised in order to be comparable with the current period's presentation.

|  | 3 Months Ended |            | Cumulative 6 Months Ended |            |
|--|----------------|------------|---------------------------|------------|
|  | 30.06.2020     | 30.06.2019 | 30.06.2020                | 30.06.2019 |
| Net profit/(loss) for the period attributable to owners of the parent (RM'000) | 306            | (1,178)    | (546)                     | (2,797)    |
| Weighted average number of ordinary shares in issue ('000)                     | 197,213        | 178,778#   | 195,102*                  | 178,778#   |
| Basic earning/(loss) per share (sen)   | 0.16           | (0.66)     | (0.28)                    | (1.56)     |

**25. Earnings/Loss Per Share (“EPS/LPS”) (continued)**

\* Adjusted for 17,500,000 ordinary shares issued under the private placement and 935,000 warrants exercised in order to be comparable with the current period’s presentation.

# Comparative figures were based on quarterly announcement made for the 6 months period ended 30 June 2019.

**Diluted Earnings per share**

For loss per share, warrants are excluded from the diluted earnings per share calculation because their effects are antidilutive.

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

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

|  | <b>3 Months Ended<br/>30 June 2020<br/>RM’000</b> | <b>6 Months Ended<br/>30 June 2020<br/>RM’000</b> |
|--|---|---|
| (a) Interest income  | -   | (5)   |
| (b) Other income including investment income                                 | (1,883)   | (1,815)   |
| (c) Interest expenses  | 107   | 253   |
| (d) Depreciation and amortisation  | 1,718   | 3,434   |
| (e) Bad debts written off  | 83  | 83  |
| (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   | 400   | 400   |
| (i) Foreign exchange loss/(gain)   | (339)   | (192)   |
| (j) Gain or loss on derivatives  | -   | -   |
| (k) Exceptional items  | -   | -   |

- End -