



MCLEAN TECHNOLOGIES BERHAD

(Company No: 201001009003 (893631-T))

(Incorporated in Malaysia)

Interim Financial Statements

30 June 2022

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2022**

	Note	3 months ended		Cumulative 6 months ended	
		30/06/22	30/06/21	30/06/22	30/06/21
		RM'000	RM'000	RM'000	RM'000
REVENUE		14,872	14,526	29,810	27,993
COST OF SALES		(12,483)	(11,118)	(24,406)	(21,567)
GROSS PROFIT		<u>2,389</u>	<u>3,408</u>	<u>5,404</u>	<u>6,426</u>
OTHER INCOME		96	70	192	368
ADMINISTRATIVE EXPENSES		(3,526)	(3,484)	(7,007)	(6,948)
SELLING AND DISTRIBUTION EXPENSES		(186)	(289)	(355)	(495)
OTHER EXPENSES		(83)	(281)	(58)	(351)
FINANCE COST		(143)	(89)	(286)	(188)
LOSS BEFORE TAX		<u>(1,453)</u>	<u>(665)</u>	<u>(2,110)</u>	<u>(1,188)</u>
TAX INCOME	24	-	(3)	-	107
LOSS FOR THE FINANCIAL PERIOD		<u>(1,453)</u>	<u>(668)</u>	<u>(2,110)</u>	<u>(1,081)</u>
OTHER COMPREHENSIVE INCOME					
Foreign currency translation difference		330	156	341	387
		<u>330</u>	<u>156</u>	<u>341</u>	<u>387</u>
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(1,123)</u>	<u>(512)</u>	<u>(1,769)</u>	<u>(694)</u>
Loss attributable to:					
Owners of the Company		(1,410)	(649)	(2,057)	(1,254)
Non-controlling interests		(43)	(19)	(53)	173
		<u>(1,453)</u>	<u>(668)</u>	<u>(2,110)</u>	<u>(1,081)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(1,080)	(493)	(1,716)	(867)
Non-controlling interests		(43)	(19)	(53)	173
		<u>(1,123)</u>	<u>(512)</u>	<u>(1,769)</u>	<u>(694)</u>
Loss per share (sen)					
Basic	25	(0.71)	(0.33)	(1.04)	(0.64)

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	(UNAUDITED)	(AUDITED)
		As at 30/06/2022	As at 31/12/2021
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		17,817	18,180
Right-of-use assets		7,715	9,746
Deferred tax assets		653	639
		<u>26,185</u>	<u>28,565</u>
Current assets			
Inventories		1,729	1,300
Trade receivables		14,819	15,423
Other receivables		6,401	5,653
Tax recoverable		10	5
Deposits with licensed banks		550	550
Cash and bank balances		3,683	3,891
		<u>27,192</u>	<u>26,822</u>
TOTAL ASSETS		<u>53,377</u>	<u>55,387</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		50,973	50,973
Accumulated losses		(10,589)	(8,532)
Reserves		(21,063)	(21,404)
		<u>19,321</u>	<u>21,037</u>
Non-controlling interests		8,533	8,586
TOTAL EQUITY		<u>27,854</u>	<u>29,623</u>
Non-current liabilities			
Borrowings	20	1,927	1,970
Lease liabilities		5,379	6,060
Deferred tax liabilities		270	270
		<u>7,576</u>	<u>8,300</u>
Current liabilities			
Trade payables		6,944	5,852
Other payables		5,708	5,765
Borrowings	20	2,608	2,045
Lease liabilities		2,665	3,788
Tax payable		22	14
		<u>17,947</u>	<u>17,464</u>
TOTAL LIABILITIES		<u>25,523</u>	<u>25,764</u>
TOTAL EQUITY AND LIABILITIES		<u>53,377</u>	<u>55,387</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.10</u>	<u>0.11</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 2021 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 2022

Cumulative year ended 30 June 2022

	Non distributable					Distributable	TOTAL ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000	
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER DEFICIT RM'000	WARRANT RESERVE RM'000	CURRENCY FLUCTUATION RESERVE RM'000	OTHER RESERVE RM'000				ACCUMULATED LOSSES RM'000
Balance as at 31.12.2021	50,973	-	(22,246)	-	4,789	(3,947)	(8,532)	21,037	8,586	29,623
Loss for the financial period	-	-	-	-	-	-	(2,057)	(2,057)	(53)	(2,110)
Other comprehensive income for the financial period	-	-	-	-	341	-	-	341	-	341
Total comprehensive loss for the financial period	-	-	-	-	341	-	(2,057)	(1,716)	(53)	(1,769)
Balance as at 30.06.2022	50,973	-	(22,246)	-	5,130	(3,947)	(10,589)	19,321	8,533	27,854

Cumulative year ended 30 June 2021

	Non distributable					Distributable	TOTAL ATTRIBUTABLE TO OWNERS OF THE COMPANY RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000	
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	MERGER DEFICIT RM'000	WARRANT RESERVE RM'000	CURRENCY FLUCTUATION RESERVE RM'000	OTHER RESERVE RM'000				ACCUMULATED LOSSES RM'000
Balance as at 31.12.2020	50,973	-	(22,246)	-	4,081	(3,947)	(309)	28,552	8,967	37,519
(Loss)/Profit for the financial period	-	-	-	-	-	-	(1,254)	(1,254)	173	(1,081)
Other comprehensive income for the financial period	-	-	-	-	387	-	-	387	-	387
Total comprehensive income/(loss) for the financial period	-	-	-	-	387	-	(1,254)	(867)	173	(694)
Balance as at 30.06.2021	50,973	-	(22,246)	-	4,468	(3,947)	(1,563)	27,685	9,140	36,825

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited consolidated financial statements of MClean Technologies Berhad for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	6 months ended	
	30/06/2022	30/06/2021
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(2,110)	(1,188)
Adjustments for:		
Depreciation of property, plant and equipment	1,082	1,736
Depreciation of right-of-use assets	1,925	1,793
Reversal of impairment loss on trade receivables	-	(24)
Interest expenses	286	188
Interest income	(1)	(1)
Unrealised loss on foreign exchange	75	286
Operating profit before working capital changes	<u>1,257</u>	<u>2,790</u>
Changes in working capital:-		
Inventories	(457)	(243)
Receivables	(94)	2,454
Payables	1,304	(2,022)
CASH GENERATED FROM OPERATIONS	<u>2,010</u>	<u>2,979</u>
Tax paid	(24)	(34)
NET CASH FROM OPERATING ACTIVITIES	<u>1,986</u>	<u>2,945</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(741)	(897)
Interest received	1	1
NET CASH USED IN INVESTING ACTIVITY	<u>(740)</u>	<u>(896)</u>
FINANCING ACTIVITIES		
Proceed from account receivables financing	618	203
Interest paid	(286)	(188)
Repayment of lease liabilities	(1,692)	(1,611)
Repayment of term loan	(51)	(34)
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,411)</u>	<u>(1,630)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(165)	419
Brought forward	3,891	3,886
Effects of exchange translation differences on cash and cash equivalents	(43)	(23)
Carried forward	<u>3,683</u>	<u>4,282</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements of MCLean Technologies Berhad for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statements.)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2022

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2022

1. Basis of Preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) No 134: Interim Financial Reporting and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Statements also complied with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

2. Significant Accounting Policies

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

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

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

Standards issued but not yet effective

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

2. Significant Accounting Policies (continued)

Standards issued but not yet effective (continued)

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

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

3. Audit Report of Preceding Annual Financial Statements

The preceding year annual audited financial statements were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's operations were not subject to any seasonal or cyclical changes.

5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There was no other item which is unusual because of its size or incidences that has affected the assets, liabilities, equity, net income or cash flow of the Group for the current financial quarter under review.

6. Material Changes in Estimates

There were no material changes in estimates for the quarter ended 30 June 2022.

7. Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the current financial quarter.

8. Dividend Paid

There were no dividends declared or paid by the Group for the current quarter under review.

9. Segmental Reporting

The segmental results of the Group for the current and previous financial period-to-date under review is set out below:

Geographical information

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

Location	<u>6 Months Ended</u>	<u>6 Months Ended</u>
	30.06.2022	30.06.2021
	RM'000	RM'000
People's Republic of China	1,252	554
Malaysia	11,081	10,770
Singapore	26,496	25,437
Others	893	581
Inter segment	(9,912)	(9,349)
	29,810	27,993

The business of the Group is generated from the business of surface treatment, precision cleaning, clean bulkpack and related service mainly in HDD and consumer electrics industries and there is only one business segment identified by the management.

10. Valuation of Property, Plant and Equipment

The Group's property, plant and equipment were stated at cost less accumulated depreciation.

11. Material Events Subsequent to the End of the Current Financial Quarter

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

13. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

The Group has secured and unsecured bank guarantee given to the Royal Malaysian Customs Department and licensed bank for credit facilities granted to a subsidiary for RM350,000 and RM868,439 respectively.

(b) Contingent assets

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

14. Capital Commitment

	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
Authorised but not contracted for:-		
Office equipment, electrical fittings and furniture and fittings	-	3
Plant and machineries	-	66
	-	69

15. Review of Performance

Comparison between Current Financial Quarter Ended 30 June 2022 and Previous Corresponding Quarter Ended 30 June 2021

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

	3 Months Ended			
	30.06.2022	30.06.2021		
	Surface Treatment & Precision Cleaning RM'000	Surface Treatment & Precision Cleaning RM'000	Increase/(Decrease) RM'000	%
Revenue	14,872	14,526	346	2.38
Gross profit	2,389	3,408	(1,019)	(29.90)
Loss before tax	(1,453)	(665)	(788)	118.50
Loss after tax	(1,453)	(668)	(785)	117.51
Loss attributable to owners of the Company	(1,410)	(649)	(761)	117.26

Surface Treatment & Precision Cleaning Division

Revenue for the current financial quarter increased by 2.38% as compared to the previous corresponding quarter. The increase is mainly from precision cleaning services.

The overall gross profit margin decreased from 23.46% to 16.06% in the current financial quarter mainly due to increase in freight charges, utilities charges and sub-contract fee, but partially offset by the decrease in depreciation on property, plant and equipment.

The Group’s other expenses decreased by RM198,000 as compared to the previous corresponding quarter mainly due to the decrease in loss on foreign exchange.

Overall, the Group reported a loss before tax of RM1.453 million in the current financial quarter as compared to a loss before tax of RM0.665 million in the previous corresponding quarter.

15. Review of Performance (continued)

Comparison between Current Period-to-date Ended 30 June 2022 and Previous Corresponding Period-to-date Ended 30 June 2021

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

	6 Months Ended		Increase/(Decrease)	
	30.06.2022	30.06.2021		
	Surface Treatment & Precision Cleaning RM’000	Surface Treatment & Precision Cleaning RM’000	RM’000	%
Revenue	29,810	27,993	1,817	6.49
Gross profit	5,404	6,426	(1,022)	(15.90)
Loss before tax	(2,110)	(1,188)	(922)	77.61
Loss after tax	(2,110)	(1,081)	(1,029)	95.19
Loss attributable to owners of the parent	(2,057)	(1,254)	(803)	64.04

Surface Treatment & Precision Cleaning Division

Revenue for the current period-to-date increased by 6.49% as compared to the previous corresponding period-to-date. The increase is from both precision cleaning and surface treatment services.

The overall gross profit margin decreased from 22.96% to 18.13% in the current period-to-date mainly due to increase in freight charges, utilities charges and sub-contract fee, but partially offset by the decrease in depreciation on property, plant and equipment.

The Group’s other expenses was decreased by RM293,000 as compared to the previous corresponding period-to-date mainly due to the decrease in loss on foreign exchange.

Overall, the Group reported a loss before tax of RM2.110 million in the current period-to-date as compared to a loss before tax of RM1.188 million in the previous corresponding period-to-date.

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

	Current Quarter	Immediate Preceding Quarter		
	30.06.2022	31.03.2022		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	14,872	14,938	(66)	(0.44)
Gross profit	2,389	3,015	(626)	(20.76)
Loss before tax	(1,453)	(657)	(796)	121.16
Loss after tax	(1,453)	(657)	(796)	121.16
Loss attributable to owners of the Company	(1,410)	(647)	(763)	117.93

Surface Treatment & Precision Cleaning Division

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

The overall gross profit margin decreased from 20.18% to 16.06% in current quarter as compared to the immediate preceding quarter mainly due to increase in freight charges.

The Group registered a loss before tax of RM1.453 million as compared to a loss before tax of RM0.657 million in the immediate preceding quarter.

17. Future Prospects

The contraction of global demand due to the ongoing conflict in the world has also impacted MClean group as we also see a sudden contraction of Hard Disk Drive (“HDD”) demand for the 2nd half of the year. We expect the rest of this year to be challenging.

Besides hiving off dormant activities, the group is repositioning its operations to that of a subcontracting model to mitigate the increasing operating costs in direct labour, utilities and freight expenses.

The various Proposals announced on 27 May 2022 will add a profitable core business to the enlarge MClean group, placing it on a firmer footing to explore future opportunities. At the date of this report these Proposals are still pending regulatory approvals.

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

On 27 May 2022, TA Securities Holdings Berhad on behalf of the Company announced the multiple proposals involving private placement, rights issue and an acquisition of 60% equity interest in JCS Biotech Pte Ltd (“Proposals”). On 15 June 2022, TA Securities Holdings Berhad on behalf of the Company submitted a listing application in relation to the Proposals to Bursa Malaysia Securities Berhad. As at the date of this report, these Proposals are still pending regulatory approval.

20. Group Borrowings and Debt Securities

The Group’s borrowings as at 30 June 2022 presented as follows:-

	As at 2nd quarter ended 2022					
	Long term		Short term		Total borrowings	
	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000
Secured						
Term loan	-	1,927	-	104	-	2,057
Factoring loan	-	-	794	2,504	794	2,504

	As at 2nd quarter ended 2021					
	Long term		Short term		Total borrowings	
	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000	Foreign denomination SGD’000	RM denomination and RM equivalent RM’000
Secured						
Term loan	-	2,103	-	35	-	2,138
Factoring loan	-	-	629	1,940	629	1,940

The total borrowings denominated in foreign currency as at 30 June 2022 are: -

	RM’000
Foreign currency – SGD 793,913 @ RM3.1536/SGD	<u>2,504</u>

The factoring loan is charged at an effective interest rate of approximately 3.25% - 5.70% per annum. The term loan is charged at an effective interest rate of 3.20% per annum.

21. Off Balance Sheet Financial Instruments

As at 30 June 2022, the Group is a party to a foreign currency forward contract to sell USD300,000 at the rate ranging from 1.3565 to 1.3640. Had the contract been settled at the financial position date, the net effect on the exchange exposure is an increase in the loss of RM5,147.

22. Material Litigation

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

23. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 30 June 2022.

24. Tax Income

Details of taxation are as follows: -

	3 Months Ended		6 Months Ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Under/(Over) provision in prior year	-	3	-	(107)
Effective tax rate	-	-	-	-
Statutory tax rate	24%	24%	24%	24%
Variance	-	-	-	-

25. Loss Per Share (“LPS”)

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

	3 Months Ended		Cumulative 6 Months Ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Net loss for the period attributable to owners of the Company (RM'000)	(1,410)	(649)	(2,057)	(1,254)
Weighted average number of ordinary shares in issue ('000)	197,213	197,213	197,213	197,213
Basic loss per share (sen)	(0.71)	(0.33)	(1.04)	(0.64)

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 30 June 2022 RM'000	6 Months Ended 30 June 2022 RM'000
(a) Interest income	(1)	(1)
(b) Other income including investment income	(95)	(191)
(c) Interest expenses	143	286
(d) Depreciation and amortisation	1,509	3,007
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange loss	83	58
(j) Gain or loss on derivatives	-	-
(k) Exceptional items	-	-

- End -