



MCLEAN TECHNOLOGIES BERHAD

(Company No: 201001009003 (893631-T))

(Incorporated in Malaysia)

Interim Financial Statements

31 March 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2023**

	Note	3 months ended		Cumulative 3 months ended	
		31/03/23	31/03/22	31/03/23	31/03/22
		RM'000	RM'000	RM'000	RM'000
REVENUE		12,050	14,938	12,050	14,938
COST OF SALES		(9,870)	(11,923)	(9,870)	(11,923)
GROSS PROFIT		<u>2,180</u>	<u>3,015</u>	<u>2,180</u>	<u>3,015</u>
OTHER INCOME	5	198	121	198	121
ADMINISTRATIVE EXPENSES		(3,103)	(3,481)	(3,103)	(3,481)
SELLING AND DISTRIBUTION EXPENSES		(213)	(169)	(213)	(169)
OTHER EXPENSES		-	-	-	-
FINANCE COST		(129)	(143)	(129)	(143)
LOSS BEFORE TAX		<u>(1,067)</u>	<u>(657)</u>	<u>(1,067)</u>	<u>(657)</u>
TAX INCOME	24	-	-	-	-
LOSS FOR THE FINANCIAL PERIOD		<u>(1,067)</u>	<u>(657)</u>	<u>(1,067)</u>	<u>(657)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME					
Foreign currency translation difference		(18)	11	(18)	11
		<u>(18)</u>	<u>11</u>	<u>(18)</u>	<u>11</u>
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(1,085)</u>	<u>(646)</u>	<u>(1,085)</u>	<u>(646)</u>
Loss attributable to:					
Owners of the Company		(877)	(647)	(877)	(647)
Non-controlling interests		(190)	(10)	(190)	(10)
		<u>(1,067)</u>	<u>(657)</u>	<u>(1,067)</u>	<u>(657)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(895)	(636)	(895)	(636)
Non-controlling interests		(190)	(10)	(190)	(10)
		<u>(1,085)</u>	<u>(646)</u>	<u>(1,085)</u>	<u>(646)</u>
Loss per share (sen)					
Basic	25	(0.44)	(0.33)	(0.44)	(0.33)

(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 2022 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Note	(UNAUDITED)	(AUDITED)
		As at 31/03/2023	As at 31/12/2022
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		16,808	16,886
Right-of-use assets		5,470	6,194
Deferred tax assets		686	680
		<u>22,964</u>	<u>23,760</u>
Current assets			
Inventories		1,787	987
Trade receivables		13,132	11,153
Other receivables		6,032	5,455
Tax recoverable		14	12
Deposits with licensed banks		563	563
Cash and bank balances		2,332	3,012
		<u>23,860</u>	<u>21,182</u>
TOTAL ASSETS		<u>46,824</u>	<u>44,942</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		50,973	50,973
Accumulated losses		(18,589)	(17,712)
Reserves		(16,174)	(16,156)
		<u>16,210</u>	<u>17,105</u>
Non-controlling interests		8,109	8,299
TOTAL EQUITY		<u>24,319</u>	<u>25,404</u>
Non-current liabilities			
Borrowings	20	1,869	1,891
Lease liabilities		2,672	3,140
Deferred tax liabilities		463	463
		<u>5,004</u>	<u>5,494</u>
Current liabilities			
Trade payables		4,587	3,874
Other payables		6,396	4,954
Borrowings	20	3,382	1,972
Lease liabilities		3,136	3,242
Tax payable		-	3
		<u>17,501</u>	<u>14,045</u>
TOTAL LIABILITIES		<u>22,505</u>	<u>19,539</u>
TOTAL EQUITY AND LIABILITIES		<u>46,824</u>	<u>44,943</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.08</u>	<u>0.09</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 2022 and the accompanying explanatory notes attached to this interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023

Cumulative year ended 31 March 2023

	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 31.12.2022	50,973	-	(16,050)	-	3,841	(3,947)	(17,712)	17,105	8,299	25,404
Loss for the financial period	-	-	-	-	-	-	(877)	(877)	(190)	(1,067)
Other comprehensive income for the financial period	-	-	-	-	(18)	-	-	(18)	-	(18)
Total comprehensive loss for the financial period	-	-	-	-	(18)	-	(877)	(895)	(190)	(1,085)
Balance as at 31.03.2023	50,973	-	(16,050)	-	3,823	(3,947)	(18,589)	16,210	8,109	24,319

Cumulative year ended 31 March 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	-	-	-	-	-	-	(647)	(647)	(10)	(657)
Other comprehensive income for the financial period	-	-	-	-	11	-	-	11	-	11
Total comprehensive income/(loss) for the financial period	-	-	-	-	11	-	(647)	(636)	(10)	(646)
Balance as at 31.03.2022	50,973	-	(22,246)	-	4,800	(3,947)	(9,179)	20,401	8,576	28,977

(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 2022 and the accompanying explanatory notes attached to this interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

	Note	3 months ended	
		31/03/2023	31/03/2022
		RM'000	RM'000
OPERATING ACTIVITIES			
Loss before tax		(1,067)	(657)
Adjustments for:			
Depreciation of property, plant and equipment		440	551
Depreciation of right-of-use assets		789	958
Interest expenses		129	143
Unrealised loss on foreign exchange		(147)	(79)
Operating profit before working capital changes		144	916
Changes in working capital:-			
Inventories		(810)	(665)
Receivables		(2,575)	381
Payables		2,309	(194)
CASH (USED IN)/GENERATED FROM OPERATIONS		(932)	438
Tax paid		(17)	-
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(949)	438
INVESTING ACTIVITY			
Purchase of property, plant and equipment		(368)	(419)
NET CASH USED IN INVESTING ACTIVITY		(368)	(419)
FINANCING ACTIVITIES			
Proceed from account receivables financing		1,436	945
Interest paid		(129)	(143)
Repayment of lease liabilities		(636)	(733)
Repayment of term loan		(21)	(8)
NET CASH GENERATED FROM FINANCING ACTIVITIES		650	61
CASH AND CASH EQUIVALENTS			
Net changes		(667)	80
Brought forward		3,012	3,891
Effects of exchange translation differences on cash and cash equivalents		(13)	(11)
Carried forward		2,332	3,960

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements of MCLearn Technologies Berhad for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial statements.)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2023

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2023

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 2022. 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 2022.

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 2022, except for the adoption of the following Amendments and Annual Improvements to Standards effective for the 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

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 2024
 - Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback
 - Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants

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 2024 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 31 March 2023.

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>3 Months Ended</u>	<u>3 Months Ended</u>
	31.03.2023	31.03.2022
	RM'000	RM'000
People's Republic of China	85	635
Malaysia	3,916	6,243
Singapore	11,795	12,707
Others	115	467
Inter segment	(3,816)	(5,114)
	12,050	14,938

The business of the Group is generated from the business of surface treatment and precision cleaning 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 RM300,000 and RM912,776 respectively.

(b) Contingent assets

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

14. Capital Commitment

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the quarter under review.

15. Review of Performance

Comparison between Current Financial Quarter Ended 31 March 2023 and Previous Corresponding Quarter Ended 31 March 2022

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

	3 Months Ended		Increase/(Decrease)	
	31.03.2023	31.03.2022		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning		
	RM’000	RM’000	RM’000	%
Revenue	12,050	14,938	(2,888)	(19.33)
Gross profit	2,180	3,015	(835)	(27.69)
Loss before tax	(1,067)	(657)	410	62.40
Loss after tax	(1,067)	(657)	410	62.40
Loss attributable to owners of the Company	(877)	(647)	230	35.55

Surface Treatment & Precision Cleaning Division

Revenue for the current financial quarter decreased by 19.33% as compared to the previous corresponding quarter. The decrease is across from all precision cleaning and surface treatment services due to overall weaker market demand from hard disk drive (“HDD”) industry.

The overall gross profit margin decreased from 20.18% to 18.09% in current financial quarter as compared to the previous corresponding quarter mainly due to the impact of lower revenue over fixed factory overhead in the current financial quarter.

The Group’s administrative expenses decreased by RM378,000 as compared to the previous corresponding quarter mainly due to the decrease in indirect salaries and related costs.

Overall, the Group reported a loss before tax of RM1.067 million in the current financial quarter as compared to a loss before tax of RM0.657 million in the previous corresponding quarter.

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

	Current Quarter	Immediate Preceding Quarter		
	31.03.2023	31.12.2022		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	12,050	9,625	2,425	25.19
Gross profit	2,180	1,316	864	65.65
(Loss)/Profit before tax	(1,067)	427	(1,494)	NA
(Loss) /Profit after tax	(1,067)	248	(1,315)	NA
(Loss)/Profit attributable to owners of the Company	(877)	582	(1,459)	NA

Surface Treatment & Precision Cleaning Division

Revenue for the current quarter increased by 25.19% as compared to the immediate preceding quarter. The increase is mainly from precision cleaning services. As a result, the overall gross profit margin increased from 13.67% to 18.09% in current quarter as compared to the immediate preceding quarter.

The Group’s other income decreased by RM1,811,000 as compared to the immediate preceding quarter mainly due to absence of the RM1,884,000 of currency fluctuation reserve being reversed to profit and loss account upon deregistration of our subsidiary in Singapore in the current quarter.

The Group’s administrative expenses increased by RM595,000 as compared to the immediate preceding quarter mainly due to the reversal of accruals on indirect staff bonuses in the immediate preceding quarter.

The Group registered a loss before tax of RM1.067 million as compared to a profit before tax of RM0.427 million in the immediate preceding quarter.

17. Future Prospects

The next 2 quarters are expected to remain weak as Hard Disk Drive industry is not expecting any recovery till end of this year.

Besides appealing on the recent rejected proposed acquisition, the Group is also exploring the frozen food supply chain business. Further announcement will be made for any material developments.

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. On 21 September 2022, the Company withdrawn the listing application in relation to the Proposals with the intention to revise the structure of the Proposals.

On 4 November 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 (“Revised Proposals”) again. On 11 November 2022, TA Securities Holdings Berhad on behalf of the Company re-submitted a listing application in relation to the Revised Proposals to Bursa Malaysia Securities Berhad. On 13 April 2023, Bursa Malaysia Securities Berhad rejected the Revised Proposals. On 12 May 2023, an appeal has been submitted to Bursa Malaysia Securities Berhad. As at the date of this report, the appeal is still pending regulatory review.

20. Group Borrowings and Debt Securities

The Group’s borrowings as at 31 March 2023 are as follows:-

As at 1st quarter ended 2023						
	Long term		Short term		Total borrowings	
	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent
	SGD’000	RM’000	SGD’000	RM’000	SGD’000	RM’000
Secured						
Term loan	-	1,869	-	88	-	1,957
Factoring loan	-	-	994	3,294	994	3,294

As at 1st quarter ended 2022						
	Long term		Short term		Total borrowings	
	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent	Foreign denomination	RM denomination and RM equivalent
	SGD’000	RM’000	SGD’000	RM’000	SGD’000	RM’000
Secured						
Term loan	-	1,953	-	104	-	2,057
Factoring loan	-	-	929	2,882	929	2,882

The total borrowings denominated in foreign currency as at 31 March 2023 are: -

	RM’000
Foreign currency – SGD 993,913 @ RM3.3146/SGD	<u>3,294</u>

The factoring loan is charged at an effective interest rate of approximately 5.87% - 7.02% 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 31 March 2023, the Group does not have any off balance sheet financial instrument.

22. Material Litigation

There was no pending material adverse litigation from 1 January 2023 up to the date of this quarterly announcement.

23. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 31 March 2023.

24. Tax Income

Details of taxation are as follows: -

	12 Months Ended	
	31.03.2023	31.03.2022
	RM'000	RM'000
Current taxation	-	-
Effective tax rate	-	-
Statutory tax rate	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 3 Months Ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Net loss for the period attributable to owners of the Company (RM'000)	(877)	(647)	(877)	(647)
Weighted average number of ordinary shares in issue ('000)	197,213	197,213	197,213	197,213
Basic loss per share (sen)	(0.44)	(0.33)	(0.44)	(0.33)

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

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

	3 Months Ended 31 March 2023 RM'000
(a) Interest income	-
(b) Other income including investment income	(198)
(c) Interest expenses	129
(d) Depreciation and amortisation	1,229
(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 (gain) or loss	(58)
(j) Gain or loss on derivatives	-
(k) Exceptional items	-

- End -