



MCLEAN TECHNOLOGIES BERHAD

(Company No: 201001009003 (893631-T))

(Incorporated in Malaysia)

Interim Financial Statements

30 September 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Note	3 months ended		Cumulative 9 months ended	
		30/09/23	30/09/22	30/09/23	30/09/22
		RM'000	RM'000	RM'000	RM'000
REVENUE		11,071	12,937	35,094	42,747
COST OF SALES		(8,675)	(10,346)	(28,183)	(34,752)
GROSS PROFIT		<u>2,396</u>	<u>2,591</u>	<u>6,911</u>	<u>7,995</u>
OTHER INCOME		67	132	424	324
ADMINISTRATIVE EXPENSES		(3,946)	(3,192)	(10,289)	(10,199)
SELLING AND DISTRIBUTION EXPENSES		(189)	(197)	(622)	(552)
OTHER EXPENSES		(172)	(607)	(177)	(665)
FINANCE COST		(227)	(136)	(508)	(422)
LOSS BEFORE TAX		<u>(2,071)</u>	<u>(1,409)</u>	<u>(4,261)</u>	<u>(3,519)</u>
TAX INCOME	24	-	-	-	-
LOSS FOR THE FINANCIAL PERIOD		<u>(2,071)</u>	<u>(1,409)</u>	<u>(4,261)</u>	<u>(3,519)</u>
OTHER COMPREHENSIVE INCOME					
Foreign currency translation difference		247	750	545	1,091
		<u>247</u>	<u>750</u>	<u>545</u>	<u>1,091</u>
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		<u>(1,824)</u>	<u>(659)</u>	<u>(3,716)</u>	<u>(2,428)</u>
Loss attributable to:					
Owners of the Company		(1,904)	(1,510)	(3,669)	(3,567)
Non-controlling interests		(167)	101	(592)	48
		<u>(2,071)</u>	<u>(1,409)</u>	<u>(4,261)</u>	<u>(3,519)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(1,657)	(760)	(3,124)	(2,476)
Non-controlling interests		(167)	101	(592)	48
		<u>(1,824)</u>	<u>(659)</u>	<u>(3,716)</u>	<u>(2,428)</u>
Loss per share (sen)					
Basic	25	(0.97)	(0.77)	(1.86)	(1.81)

(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 30 SEPTEMBER 2023

	Note	(UNAUDITED)	(AUDITED)
		As at 30/09/2023	As at 31/12/2022
		RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		16,472	16,886
Right-of-use assets		3,986	6,195
Deferred tax assets		712	680
		<u>21,170</u>	<u>23,761</u>
Current assets			
Inventories		1,470	987
Trade receivables		12,747	11,153
Other receivables	5	8,768	5,455
Tax recoverable		13	12
Deposits with licensed banks		563	563
Cash and bank balances		2,230	3,012
		<u>25,791</u>	<u>21,182</u>
TOTAL ASSETS		<u>46,961</u>	<u>44,943</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		50,973	50,973
Accumulated losses		(21,381)	(17,712)
Reserves		(15,611)	(16,156)
		<u>13,981</u>	<u>17,105</u>
Non-controlling interests		7,707	8,299
TOTAL EQUITY		<u>21,688</u>	<u>25,404</u>
Non-current liabilities			
Borrowings	20	1,824	1,891
Lease liabilities		607	3,140
Deferred tax liabilities		463	463
		<u>2,894</u>	<u>5,494</u>
Current liabilities			
Trade payables		5,744	3,874
Other payables	5	10,145	4,954
Borrowings	20	2,819	1,972
Lease liabilities		3,671	3,242
Tax payable		-	3
		<u>22,379</u>	<u>14,045</u>
TOTAL LIABILITIES		<u>25,273</u>	<u>19,539</u>
TOTAL EQUITY AND LIABILITIES		<u>46,961</u>	<u>44,943</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.07</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 NINE MONTHS ENDED 30 SEPTEMBER 2023

Cumulative year ended 30 September 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	-	-	-	-	-	-	(3,669)	(3,669)	(592)	(4,261)
Other comprehensive income for the financial period	-	-	-	-	545	-	-	545	-	545
Total comprehensive income/(loss) for the financial period	-	-	-	-	545	-	(3,669)	(3,124)	(592)	(3,716)
Balance as at 30.09.2023	50,973	-	(16,050)	-	4,386	(3,947)	(21,381)	13,981	7,707	21,688

Cumulative year ended 30 September 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	-	-	-	-	-	-	(3,567)	(3,567)	48	(3,519)
Other comprehensive income for the financial period	-	-	-	-	1,091	-	-	1,091	-	1,091
Total comprehensive income/(loss) for the financial period	-	-	-	-	1,091	-	(3,567)	(2,476)	48	(2,428)
Balance as at 30.09.2022	50,973	-	(22,246)	-	5,880	(3,947)	(12,099)	18,561	8,634	27,195

(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 NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Note	9 months ended	
		30/09/2023	30/09/2022
		RM'000	RM'000
OPERATING ACTIVITIES			
Loss before tax		(4,261)	(3,519)
Adjustments for:			
Impairment loss on property, plant and equipment		177	-
Depreciation of property, plant and equipment		1,307	1,594
Depreciation of right-of-use assets		2,403	2,696
Gain on disposal of right-of-use assets		(11)	-
Loss on disposal of investment in subsidiary company		-	547
Interest expenses		508	422
Interest income		(1)	(1)
Unrealised (gain)/loss on foreign exchange		(178)	176
Operating (loss)/profit before working capital changes		(56)	1,915
Changes in working capital:-			
Inventories		(526)	82
Receivables		(4,572)	1,295
Payables		7,514	(523)
CASH GENERATED FROM OPERATIONS		2,360	2,769
Tax paid		(67)	(61)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,293	2,708
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,098)	(876)
Cash and cash equivalent for disposal of a subsidiary		-	(645)
Interest received		1	1
NET CASH USED IN INVESTING ACTIVITIES		(1,097)	(1,520)
FINANCING ACTIVITIES			
Proceed from account receivables financing		951	1,236
Interest paid		(508)	(422)
Repayment of lease liabilities		(2,286)	(2,433)
Repayment of term loan		(64)	(77)
NET CASH USED IN FINANCING ACTIVITIES		(1,907)	(1,696)
CASH AND CASH EQUIVALENTS			
Net changes		(711)	(508)
Brought forward		3,012	3,891
Effects of exchange translation differences on cash and cash equivalents		(71)	(65)
Carried forward		2,230	3,318

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 – 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
- Amendments to MFRS 112 Income Taxes - International Tax Reform - Pillar Two Model Rules

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 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
 - Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
 - Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

2. Significant Accounting Policies (continued)

Standards issued but not yet effective (continued)

- ii) MFRSs and amendments effective for annual periods beginning on or after 1 January 2025
 - Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability
- iii) MFRSs 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 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

The increase in other receivables is primarily attributed to the bank facility placed with the licensed bank for the purpose of exploring new business opportunities. Similarly, the rise in other payables is mainly due to a loan from a director to provide working capital needs for the exploration of new business opportunities.

Except for the above, 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 September 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>9 Months Ended</u>	<u>9 Months Ended</u>
	30.09.2023	30.09.2022
	RM'000	RM'000
People’s Republic of China	97	1,257
Malaysia	11,280	15,560
Singapore	33,418	37,562
Others	236	1,292
Inter segment	(9,937)	(12,924)
	35,094	42,747

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 changes in estimates for the quarter ended 30 September 2023.

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 RM946,978 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 30 September 2023 and Previous Corresponding Quarter Ended 30 September 2022

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

	3 Months Ended		Increase/(Decrease)	
	30.09.2023	30.09.2022		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	RM’000	%
	RM’000	RM’000		
Revenue	11,071	12,937	(1,866)	(14.42)
Gross profit	2,396	2,591	(195)	(7.53)
Loss before tax	(2,071)	(1,409)	(662)	46.98
Loss after tax	(2,071)	(1,409)	(662)	46.98
Loss attributable to owners of the Company	(1,904)	(1,510)	(394)	26.09

Surface Treatment & Precision Cleaning Division

Revenue for the current financial quarter decreased by 14.42% 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 increased from 20.03% to 21.64% in current financial quarter as compared to the previous corresponding quarter mainly due to the effective cost control and cost-cutting measures on direct labour and factory overhead in the current financial quarter.

The Group’s administrative expenses increased by RM754,000 as compared to the previous corresponding quarter mainly due to the related corporate exercise expenses recognised in the current financial quarter. This increase was partially offset by the decrease in indirect salaries and related costs in the current financial quarter.

The Group’s other expenses decreased by RM435,000 as compared to the previous corresponding quarter mainly due to the loss on disposal of investment in subsidiary company in China Wuxi of RM547,000. This decrease was partially offset by a lower loss on foreign exchange and an increase on impairment loss on property, plant and equipment in the current financial quarter.

Overall, the Group reported a loss before tax of RM2.071 million in the current financial quarter as compared to a loss before tax of RM1.409 million in the previous corresponding quarter.

15. Review of Performance (continued)

Comparison between Current Period-to-date Ended 30 September 2023 and Previous Corresponding Period-to-date Ended 30 September 2022

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

	9 Months Ended		Increase/(Decrease)	
	30.09.2023	30.09.2022		
	Surface Treatment & Precision Cleaning RM’000	Surface Treatment & Precision Cleaning RM’000	RM’000	%
Revenue	35,094	42,747	(7,653)	(17.90)
Gross profit	6,911	7,995	(1,084)	(13.56)
Loss before tax	(4,261)	(3,519)	(742)	21.09
Loss after tax	(4,261)	(3,519)	(742)	21.09
Loss attributable to owners of the parent	(3,669)	(3,567)	(102)	2.86

Surface Treatment & Precision Cleaning Division

Revenue for the current period-to-date decreased by 17.90% as compared to the previous corresponding period-to-date. The decrease is from both precision cleaning and surface treatment services due to overall weaker market demand from HDD industry.

The overall gross profit margin increased from 18.70% to 19.69% in current period-to-date as compared to the previous corresponding period-to-date mainly due to the effective cost control and cost-cutting measures on direct labour and factory overhead in the current period-to-date.

The Group’s administrative expenses was increased by RM90,000 as compared to the previous corresponding period-to-date mainly due to the related corporate exercise expenses recognised in the current period-to-date. This increase was partially offset by the decrease in indirect salaries and related costs in the current period-to-date.

The Group’s other expenses decreased by RM488,000 as compared to the previous corresponding period-to-date mainly due to the loss on disposal of investment in subsidiary company in China Wuxi of RM547,000. This decrease was partially offset by a lower loss on foreign exchange and an increase on impairment loss on property, plant and equipment in the current period-to-date.

Overall, the Group reported a loss before tax of RM4.261 million in the current period-to-date as compared to a loss before tax of RM3.519 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		
	30.09.2023	30.06.2023		
	Surface Treatment & Precision Cleaning	Surface Treatment & Precision Cleaning	Increase/(Decrease)	
	RM'000	RM'000	RM'000	%
Revenue	11,071	11,973	(902)	(7.53)
Gross profit	2,396	2,335	61	2.61
Loss before tax	(2,071)	(1,123)	(948)	84.42
Loss after tax	(2,071)	(1,123)	(948)	84.42
Loss attributable to owners of the Company	(1,904)	(888)	(1,016)	114.41

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 increased from 19.50% to 21.64% in the current quarter as compared to the immediate preceding quarter.

The Group’s administrative expenses increased by RM706,000 as compared to the immediate preceding quarter mainly due to the related corporate exercise expenses recognised in the current quarter. This increase was partially offset by the decrease in indirect salaries and related costs in the current quarter.

The Group’s other expenses increased by RM162,000 as compared to the immediate preceding quarter mainly due to the impairment loss on property, plant and equipment in the current quarter.

The Group registered a loss before tax of RM2.071 million as compared to a loss before tax of RM1.123 million in the immediate preceding quarter.

17. Future Prospects

The Hard Disk Drive (“HDD”) for Q3 2023 as expected remains weak. However, we do see a slight improvement in the demand for Q4 2023.

While we continue with further costs containment and costs reduction measures, we are also exploring business diversification opportunities in international supply chain trade or other business investment. Appropriate announcements 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

There is no corporate proposal announced but not completed as at the date of this report.

20. Group Borrowings and Debt Securities

The Group’s borrowings as at 30 September 2023 are as follows:-

As at 3rd 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	-	1,824	-	89	-	1,913
Factoring loan	-	-	794	2,730	794	2,730

As at 3rd 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	-	1,896	-	105	-	2,001
Factoring loan	-	-	944	3,053	944	3,053

The total borrowings denominated in foreign currency as at 30 September 2023 are: -

	RM’000
Foreign currency – SGD 793,913 @ RM3.4388/SGD	<u>2,730</u>

The factoring loan is charged at an effective interest rate of approximately 5.87% - 9.29% 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 September 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 30 September 2023.

24. Tax Income

Details of taxation are as follows: -

	3 Months Ended		9 Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Current taxation	-	-	-	-
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 9 Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Net loss for the period attributable to owners of the Company (RM'000)	(1,904)	(1,510)	(3,669)	(3,567)
Weighted average number of ordinary shares in issue ('000)	197,213	197,213	197,213	197,213
Basic loss per share (sen)	(0.97)	(0.77)	(1.86)	(1.81)

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 September 2023 RM'000	9 Months Ended 30 September 2023 RM'000
(a) Interest income	(1)	(1)
(b) Other income including investment income	(66)	(423)
(c) Interest expenses	227	508
(d) Depreciation and amortisation	1,238	3,710
(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	167	177
(i) Foreign exchange loss or (gain)	5	(188)
(j) Gain or loss on derivatives	-	-
(k) Exceptional items	-	-

- End -