

THIS PROSPECTUS IS DATED 21 APRIL 2011



MClean

MCLEAN TECHNOLOGIES BERHAD

(Company No: 893631-T)

(Incorporated in Malaysia under the Companies Act, 1965)

MCLEAN TECHNOLOGIES BERHAD

P R O S P E C T U S

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING OF MCLEAN TECHNOLOGIES BERHAD ("MCLEAN") ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("ACE MARKET") COMPRISING:-

(I) PUBLIC ISSUE OF 15,400,000 NEW ORDINARY SHARES OF RM0.25 EACH IN MCLEAN ("SHARES"), TOGETHER WITH 7,700,000 FREE NEW WARRANTS COMPRISING:-

- 8,600,000 NEW SHARES, TOGETHER WITH 4,300,000 FREE NEW WARRANTS, BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS;
- 4,100,000 NEW SHARES, TOGETHER WITH 2,050,000 FREE NEW WARRANTS, MADE AVAILABLE FOR APPLICATION BY BUSINESS ASSOCIATES OF THE MCLEAN GROUP (AS DEFINED HEREIN); AND
- 2,700,000 NEW SHARES, TOGETHER WITH 1,350,000 FREE NEW WARRANTS, MADE AVAILABLE FOR APPLICATION BY THE PUBLIC,

AT AN ISSUE PRICE OF RM0.52 PER SHARE PAYABLE IN FULL UPON APPLICATION; AND

(II) OFFER FOR SALE OF 11,050,000 EXISTING SHARES, TOGETHER WITH 5,525,000 FREE WARRANTS, AT AN OFFER PRICE OF RM0.52 PER SHARE BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS, PAYABLE IN FULL UPON APPLICATION.

INVESTORS ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER. TURN TO SECTION 4 OF THIS PROSPECTUS FOR "RISK FACTORS".

ADVISER, SPONSOR, UNDERWRITER & PLACEMENT AGENT



KENANGA INVESTMENT BANK BERHAD
Company No. 15678-H

IMPORTANT NOTICE

RESPONSIBILITY STATEMENTS

The Directors and Promoters of our Company as well as the Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Kenanga Investment Bank Berhad, being the Adviser, Sponsor, Underwriter and Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Public Issue and the Offer for Sale.

STATEMENTS OF DISCLAIMER

A copy of this Prospectus has been registered with the Securities Commission ("SC"). The registration of this Prospectus should not be taken to indicate that the SC recommends the IPO (as defined in this Prospectus) or assumes responsibility of the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being issued / offered for investment.

The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the securities being issued / offered. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of the invitation, our Company or our securities. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The acceptances of application for our securities is conditional upon the permission being granted by Bursa Securities to deal in and for the listing of and quotation for our entire issued and paid-up ordinary share capital on the ACE Market (as defined herein) and warrants on the Official List (as defined herein). Accordingly, monies paid in respect of any application accepted for the IPO will be returned in full without interest to the applicants, at the applicant's own risk, within 14 days if the aforesaid permission for quotation is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC), provided our Company is notified by Bursa Securities within the aforesaid timeframe. If any such monies are not returned within 14 days after our Company and the Offerors become liable to repay it, the provision of sub-section 243(2) of the *Capital Markets and Services Act 2007* shall apply.

IMPORTANT NOTICE (Cont'd)

A copy of this Prospectus, together with the Application Forms (as defined herein), has also been lodged with the Registrar of Companies ("ROC") who takes no responsibility for its contents.

OTHER STATEMENTS

Companies listed on the ACE Market may have a limited operating history or may not have any profit track record prior to listing. Such companies may be of high investment risk. As with all investments, prospective investors should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, among others, the prospectus, latest financial statements and corporate announcements. You are strongly recommended to seek advice from a securities professional/adviser.

The issue, offer or invitation for the offering is an exempt transaction under section 213 of the *Capital Markets & Services Act 2007* and is therefore not subject to the approval of the SC.

Investors are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through sections 248, 249 and 357 of the *Capital Markets & Services Act 2007*.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in section 236 of the *Capital Markets & Services Act 2007*, e.g. directors and advisers, are responsible.

You should not take the agreement by the Underwriter(s) to underwrite the Public Issue made available for application by the public as an indication of the merits of the securities being issued / offered for investment.

ELECTRONIC PROSPECTUS/ INTERNET SHARE APPLICATION

This Prospectus can also be viewed or downloaded from the Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of CIMB Investment Bank Berhad at www.eipocimb.com, the website of CIMB Bank Berhad at www.cimbclicks.com.my, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of RHB Bank Berhad at www.rhb.com.my, the website of Affin Bank Berhad at www.affinOnline.com and the website of Public Bank Berhad at www.pbepbank.com via hyperlink to the website of Bursa Securities.

You are advised that the Internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institution (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Issuing House, a paper printed copy of this Prospectus. In the event of any discrepancy arising between the contents of the Electronic Prospectus and the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus, which is identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party Internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

IMPORTANT NOTICE (Cont'd)

- (i) we and our Adviser/Sponsor do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we and our Adviser/Sponsor are not responsible for any availability of, or the content or any data, files or other materials provided on the Third Party Internet Sites. You bear all risk associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Adviser/Sponsor are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Adviser/Sponsor are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files or materials provided by such parties; and
- (iii) any data, files or other materials downloaded from the Third Party Internet Sites is done at your discretion and risk. We and our Adviser/Sponsor are not responsible, liable or under obligations for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent that the content of the Electronic Prospectus situated on the web server or the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of any Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions, and subsequently communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the Internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence or of in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with web browser or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

The Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. The securities being offered in the IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Neither our Company nor our Adviser/Sponsor had authorised anyone to provide any information or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorised by us, our Adviser/Sponsor, our Underwriter, our Placement Agent, any of their respective directors, or any other person involved in our IPO.

IMPORTANT NOTICE (Cont'd)

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia. Our Company and our Adviser/Sponsor have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia. No action has been taken to permit a public offering of our securities in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe or purchase, any IPO Shares (as defined in this Prospectus) in any jurisdiction in which such offer or invitation in any jurisdiction or in any circumstances in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of the IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether the IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for the IPO Shares would be in compliance with the terms of the IPO as stated in this Prospectus and the Application Forms and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted the IPO in Malaysia and will at all applicable time be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

We will not take any action to ensure that this Prospectus complies with the laws of any countries or jurisdiction other than the laws of Malaysia. It is your sole responsibility to consult your legal and/or other professional advisers on the applicable laws that you are or might be subjected to. Neither we nor our Adviser/Sponsor will accept any responsibility or liability if your application becomes illegal, unenforceable, voidable or void in any country or jurisdiction.

PUBLIC SHAREHOLDING SPREAD

In compliance with the Listing Requirements (as defined in this Prospectus), we need to have at least 25% of our enlarged issued and paid-up ordinary share capital (excluding treasury shares) in the hands of a minimum number of 200 public shareholders, holding not less than 100 Shares each, upon admission to the ACE Market. Furthermore, in connection with the listing of the Warrants, pursuant to the Listing Requirements, we need to have at least 100 holders, holding not less than 100 Warrants each. We expect to achieve this at the point of Listing. However, in the event that these requirements are not met pursuant to this IPO (and no corresponding waiver is granted), we may not be allowed to proceed with the IPO. In this event, monies paid in respect of all applications will be returned in full without interest.

IMPORTANT DATES

The indicative timing of events leading up to the listing of and quotation for our Company's entire enlarged issued and paid-up ordinary share capital on the ACE Market and warrants on the Official List is set out below: -

Event	Tentative Date
Issuance of Prospectus / Opening of Application for the IPO Shares	21 April 2011
Closing of Application for the IPO Shares	28 April 2011
Balloting Date	3 May 2011
Despatch of Notices of Allotment to successful applicants	9 May 2011
Listing of our Company's entire enlarged issued and paid-up ordinary share capital on the ACE Market and warrants on the Official List	10 May 2011

SAVE FOR THE OPENING DATE OF THE APPLICATION FOR THE IPO SHARES, THESE DATES ARE TENTATIVE AND ARE SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

APPLICATIONS WILL BE ACCEPTED FROM 10:00 A.M. ON 21 APRIL 2011 AND WILL REMAIN OPEN UNTIL 5:00 P.M. ON 28 APRIL 2011 OR SUCH LATER DATE OR DATES OUR BOARD, PROMOTERS, OFFERORS AND KIBB AT THEIR ABSOLUTE DISCRETION MAY JOINTLY DECIDE.

SHOULD THE DATE OF CLOSING OF APPLICATION FOR THE IPO SHARES BE EXTENDED, THE DATES FOR BALLOTING, DESPATCH OF NOTICES OF ALLOTMENT TO SUCCESSFUL APPLICANTS AND LISTING OF OUR ENTIRE ENLARGED ISSUED AND PAID-UP ORDINARY SHARE CAPITAL ON THE ACE MARKET AND WARRANTS ON THE OFFICIAL LIST WILL BE EXTENDED ACCORDINGLY. IN THE EVENT THE DATE OF THE CLOSING OF APPLICATION FOR THE IPO SHARES IS EXTENDED, THE PUBLIC WILL BE NOTIFIED OF SUCH EXTENSION BY WAY OF ADVERTISEMENTS PLACED IN WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPERS WITHIN MALAYSIA PRIOR TO THE ORIGINAL CLOSING DATE.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "Company" is to MClean or MClean Technologies Berhad (893631-T), references to "Group" is to our Company and our subsidiary companies, and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiary companies. Unless the context otherwise requires, statements as to our beliefs, expectations, estimates and opinions are those of our Management. References to "Management" are to our Executive Directors and Key Management as defined in this Prospectus.

In this Prospectus, references to "Ringgit", "Malaysian Ringgit", "RM" and "sen" are to the lawful currency of Malaysia; references to "US dollars", "USD cents", "US\$" and "USD" are to the lawful currency of USA; references to "SGD", "SGD cents" and "SG\$" are to the lawful currency of Singapore; references to "Renminbi", "RMB" and "RMB cents" are to the lawful currency of the PRC.

Certain abbreviations, acronyms and technical terms used are defined in "Definitions" appearing after this section.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but the number is usually rounded off to the nearest hundredth or two (2) decimal places. Any discrepancies (if any) in the tables included herein between the amounts listed and the totals thereof are due to rounding.

In this Prospectus, certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors. They may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters. In the case of any inconsistencies between the English names and their respective official Chinese names, the Chinese names shall prevail.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operate in. This data is taken or derived from information published by industry sources and from our own internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us.

Certain information in this Prospectus is extracted or derived from report(s) prepared by various third parties. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by Frost & Sullivan Malaysia Sdn Bhd, an independent business and market research consulting firm. In compiling their data for the review, Frost & Sullivan relied on industry sources, published materials, its own private databanks and direct contacts within the industry. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate in.

However, neither we nor our Adviser/Sponsor have independently verified these data and do not make any representation as to the correctness, accuracy or completeness of such data. Similarly, third party projections, including projections from Frost & Sullivan, cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website(s) directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on it.

If there are any discrepancies or inconsistencies between the English and the Bahasa Malaysia versions of this Prospectus, the English version shall prevail.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than those of historical facts included in this Prospectus, including, without limitation, those regarding our Group's financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future event and are not a guarantee of future performance.

Some of these forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (a) demand for our products and services;
- (b) our business strategies;
- (c) plans and objectives of our Management for future operations, products and services;
- (d) our financial positions; and
- (e) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitations:

- (a) the economic, political and investment environment globally, in particular Singapore, the PRC and Malaysia (including any other jurisdictions in which our Group may operate in the future); and
- (b) government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievement to differ materially include, but are not limited to those discussed in **Section 4 – "Risk Factors"** and **Section 13 – "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects"** of this Prospectus. Due to these and other uncertainties, we cannot assure you that the forward-looking statements included in this Prospectus will be realised.

The forward-looking statements in this Prospectus are based on information available to us as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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PRELIMINARY

This Prospectus is dated 21 April 2011.

We have registered a copy of this Prospectus together with the Application Forms with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for the contents of this Prospectus.

The IPO is an exempt transaction under Section 213 of the CMSA and is therefore not subject to the approval of the SC. Bursa Securities had on 10 March 2011 granted its approval for the admission of our Company to the Official List and the listing and quotation of our entire enlarged issued and paid-up ordinary share capital of 117,400,000 Shares on the ACE Market, the admission of our Warrants to the Official List and the listing and quotation for 58,700,000 new Shares pursuant to the exercise of the Warrants. Our Shares and Warrants will be admitted to the Official List and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Under Bursa Securities' trading rules, trading in all Bursa Securities' listed securities can only be executed through an ADA who is also a Bursa Securities member with effect from the date of listing.

You must have a CDS Account prior to submitting applications for our IPO Shares either by way of the Application Form, Electronic Share Application or Internet Share Application. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares. You should state your CDS Account number in the space provided in the Application Form if you presently have such an account registered in your own name. If you already have a CDS Account, you should not complete the preferred ADA Code.

In the case of Electronic Share Application or Internet Share Application, only an applicant who is an individual and who is a Malaysian resident and has a CDS Account can make an Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares and Warrants as prescribed securities. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in our Shares and/or Warrants will be carried out in accordance with the aforesaid act and the Rules. We will not issue share certificates or warrant certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the issued and paid-up share capital of our Company must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each. Furthermore, in connection with the listing of the Warrants, pursuant to the Listing Requirements, the listing of the Warrants must have at least 100 holders, holding not less than 100 Warrants each. We expect to meet the above requirements at the point of listing. However, if we do not meet the above requirement, we may not be allowed to proceed with our listing plan. We will return in full, without interest, monies paid in respect of all applications.

You should rely only on the information contained in this Prospectus. We and our Adviser/Sponsor have not authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus from the date of registration of this Prospectus with the SC up to the date of the IPO, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provision of Section 238 of the CMSA.

PRELIMINARY (Cont'd)

The distribution of this Prospectus and the sale of our IPO Shares will not be registered under any possible securities legislation of any jurisdiction except Malaysia. This Prospectus does not constitute and may not be used for the purpose of any offer to sell or an invitation of an offer to buy any IPO Shares in any jurisdiction and in any circumstance in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND THE INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

You can view or download this Prospectus from Bursa Securities' website at www.bursamalaysia.com.

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DEFINITIONS

The following terms shall apply throughout this Prospectus unless otherwise defined or the context requires otherwise:

A&P	: Advertising and Promotion
ACE Market	: ACE Market of Bursa Securities
Acquisitions	: The acquisition by MClean of the entire issued and paid-up share capital of Magneltronics and Techsin Singapore, which was completed on 12 October 2010
Act	: The Companies Act 1965 of Malaysia, as amended from time to time, and any re-enactment thereof
ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
Admission	: Admission of our Shares and Warrants on the Official List
Application Form(s)	: The printed application form(s) for the application of the IPO Shares
Articles or Articles of Association	: Articles of Association of our Company
ATM	: Automated Teller Machines
Audit Committee	: Our audit committee as at the Latest Practicable Date, the members of which are set out in Section 1 of this Prospectus
Authorised Depository Agent	: A person appointed by Bursa Depository under the Rules
Bert Chow	: Chow Kok Meng, Bert
Board	: The Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CAGR	: Compounded Annual Growth Rate
CCM	: Companies Commission of Malaysia
CDS	: Central Depository System
CDS Account(s)	: An account established with Bursa Depository by a Depositor for the recording of deposits of securities and for dealings in such securities by the Depositor
Central Depositories Act	: The Securities Industry (Central Depositories) Act, 1991, and any statutory modification, amendment or re-enactment thereof for the time being in force made thereunder and all subsidiary legislation made thereunder
CEO	: Chief Executive Officer

DEFINITIONS (Cont'd)

CFO	:	Chief Financial Officer
CMSA	:	The Capital Markets & Services Act 2007, as amended from time to time, and any re-enactment thereof
Deed Poll	:	The deed poll dated 4 April 2011 executed by our Company constituting the Warrants and to govern the rights of the Warrant holders
Depositor	:	A holder of a CDS Account
Director(s)	:	A natural person(s) who holds a directorship in an executive or non-executive capacity in our Company
Donaldson	:	Donaldson (Wuxi) Filters Co., Ltd
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	Application for the IPO Shares through a Participating Financial Institution's ATM
EPS	:	Earnings per share
Executive Directors	:	Our executive Directors, namely Jason Yeo, Bert Chow and Loh Weng Yew, whose profiles are set out in Section 9.2.2 of this Prospectus
Financial Years / Period Under Review	:	FYE 2007, FYE 2008, FYE 2009 and FPE 2010
FPE	:	Financial period ended 31 October
Frost & Sullivan	:	Frost & Sullivan Malaysia Sdn Bhd (522293-W), the appointed independent business and market research consultant
FYE	:	Financial year ended/ending 31 December
Hitachi	:	Hitachi Global Storage Technologies Inc.
Hoya Magnetics	:	Hoya Magnetics Singapore Pte Ltd, which had, since 30 June 2010 been acquired by WD
IMR Report	:	The Independent Market Researcher Report issued on 4 April 2011 by Frost & Sullivan
Independent Directors	:	Our independent Directors, namely Dato' Mark William Ling Lee Meng and Pang Kong Chek, whose profiles are set out in Section 9.2.2 of this Prospectus
Internet Participating Financial Institution(s)	:	The participating organization(s) for the Internet Share Application as listed in Section 18 of this Prospectus
Internet Share Application	:	Application of the IPO Shares through an Internet Participating Financial Institution

DEFINITIONS (Cont'd)

IPO	: The initial public offering for the IPO Shares in conjunction with the listing of and quotation for our entire enlarged issued and paid-up ordinary share capital on the ACE Market and Warrants on the Official List
IPO Price	: RM0.52 per IPO Share
IPO Shares	: Collectively the Public Issue Shares (together with the Public Issue Warrants) and the Offer Shares (together with the Offer Warrants)
Issuing House or MIH	: Malaysian Issuing House Sdn Bhd (258345-X)
Jason Yeo	: Yeo Hock Huat (Jason)
JGPL	: JCS Group Pte Ltd (201002986N), a company wholly-owned by Jason Yeo
Key Management or Management	: Our Executive Directors and Hee Suh Ling and Ng Kwang Eng, whose profiles are set out in Section 9.4.2 of this Prospectus
KIBB or Adviser or Sponsor	: Kenanga Investment Bank Berhad (15678-H)
LAT	Loss after taxation
Latest Practicable Date	: 15 March 2011, being the latest practicable date prior to the date of this Prospectus
LBT	Loss before taxation
Listing	: The initial listing of and quotation for our entire enlarged issue and paid-up ordinary share capital comprising 117,400,000 Shares on the ACE Market and the initial listing of and quotation for our 58,700,000 Warrants on the Official List
Listing Requirements	: Bursa Securities' ACE Market Listing Requirements
Magnetronics	: Magnetronics Technology Pte Ltd (200103673Z), our wholly-owned subsidiary company
Magnetronics Group	: Collectively, Magnetronics and MCLearn Singapore
Market Day	: Any day between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
MCLearn or Company	: MCLearn Technologies Berhad (893631-T)
MCLearn Group or Group	: Collectively, MCLearn and its subsidiary companies
MCLearn Shares or Shares	: Ordinary shares of RM0.25 each in MCLearn
MCLearn Singapore	: MCLearn Technologies Pte Ltd (200312425W), a wholly-owned subsidiary of Magnetronics
Memorandum of Association	: The Memorandum of Association of our Company, as amended, supplemented or modified from time to time

DEFINITIONS (Cont'd)

MNCs	:	Multinational Corporations
NA	:	Net assets
NBV	:	Net book value
Nomination Committee	:	Our nominating committee as at the Latest Practicable Date, the members of which are set out in Section 1 of this Prospectus
NTA	:	Net tangible assets
Offer for Sale	:	The offer for sale by the Offerors of the Offer Shares (together with the Offer Warrants) at the IPO Price, which are to be offered to identified investors, payable in full upon application and subject to the terms and conditions of this Prospectus and the Application Forms
Offer Shares	:	The 11,050,000 existing Shares representing approximately 9.41% of our enlarged issued and paid-up ordinary share capital which are to be offered by our Offerors pursuant to the Offer for Sale
Offer Warrants	:	The 5,525,000 Warrants which are to be transferred by the Offerors with the Offer Shares under the IPO on the basis of one (1) Warrant for every two (2) Shares successfully applied pursuant to the Offer for Sale
Offerors	:	Our existing shareholders who are participating in the Offer for Sale comprising Jason Yeo, Bert Chow and SinCo Technologies, further details of which are set out in Section 9.1 of this Prospectus
Official List	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Participating Financial Institution(s)	:	Participating financial institution(s) for Electronic Share Application as listed in Section 18 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PER	:	Price earnings ratio
Placement Agent	:	KIBB
Placement Shares	:	8,600,000 of the Public Issue Shares (together with 4,300,000 Public Issue Warrants) and the 11,050,000 Offer Shares (together with 5,525,000 Offer Warrants) which are the subject of the Private Placement
POs	:	Purchase Orders
PRC or China	:	The People's Republic of China
Private Placement	:	The private placement of the Placement Shares by the Placement Agent to identified investors on our behalf for subscription at the IPO Price subject to and on terms and conditions of this Prospectus and the Application Forms

DEFINITIONS (Cont'd)

Promoters	: JGPL, Jason Yeo and Bert Chow
Prospectus	: This prospectus dated 21 April 2011 in relation to the IPO
PTB	: Price to book ratio
Public Issue	: The public issue of the Public Issue Shares (together with the Public Issue Warrants) at the IPO Price, by way of private placement to identified investors, made available to business associates of our Group and by way of balloting to the public, payable in full upon application and subject to the terms and conditions of this Prospectus and the Application Forms
Public Issue Shares	: The 15,400,000 new Shares representing approximately 13.12% of our enlarged issued and paid-up ordinary share capital which are to be issued pursuant to the Public Issue
Public Issue Warrants	The 7,700,000 new Warrants which are to be issued together with the Public Issue Shares under the IPO on the basis of one (1) new Warrant for every two (2) Shares successfully applied pursuant to the Public Issue
R&D	: Research and development
Record of Depositors	: A record provided by Bursa Depository to the Company under Chapter 24.0 of the Rules
Remuneration Committee	: Our remuneration committee as at the Latest Practicable Date, the members of which are set out in Section 1 of this Prospectus
RM and sen	: Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
RMB and RMB cents	: Renminbi and Renminbi cents, respectively, the lawful currency of the PRC
ROC	: The Registrar of Companies, Malaysia
Rules	: Rules of Bursa Depository and any appendices thereto and all modifications or re-enactment thereof, and any circulars or guidance notes issued thereunder
SC	: The Securities Commission, Malaysia
Seagate	: Seagate Technology LLC
Seagate AMK	: Seagate Ang Mo Kio, Singapore
Seagate STRMO	: Seagate Storage Technology Recording Media Operation
SGD or SGD cents	: Singapore Dollar or Singapore cents, respectively, the lawful currency of Singapore
Shareholder or Member	: A registered holder of MClean Shares
SinCo Technologies	: SinCo Technologies Pte Ltd (199507772H), a company incorporated in Singapore
STMicroelectronics	: STMicroelectronics Pte Ltd

DEFINITIONS (Cont'd)

Substantial Shareholders	:	Persons who have an interest in our Shares, the nominal amount of which is not less than 5% of the aggregate nominal amount of all the voting shares of our Company
Techsin Group	:	Collectively, Techsin Singapore and Techsin Wuxi
Techsin Singapore	:	Techsin Technologies (S) Pte Ltd (200920647C), our wholly-owned subsidiary company
Techsin Wuxi	:	Techsin Electronics (Wuxi) Co., Ltd (320200400027197), a wholly-owned subsidiary of Techsin Singapore
Underwriter	:	KIBB
Underwriting Agreement	:	The underwriting agreement dated 4 April 2011 between our Company and the Underwriter for the underwriting of 6,800,000 Public Issue Shares (together with 3,400,000 Public Issue Warrants) made available for subscription by our Group's business associates and the public
USA	:	United States of America
USD or US cents	:	United States Dollar and United States cents, respectively, the lawful currency of USA
Warrants	:	The five (5)-year 2011/2016 warrants of our Company, the salient terms of which are set out in Section 3.3 of this Prospectus and constituted by the Deed Poll
WD	:	Western Digital Corporation
WFOE	:	Wholly foreign-owned enterprise in the PRC and established under the laws of the PRC

Technical Definitions

μm	:	Micrometer, a unit of length equal to 10^{-6} meter (a millionth of a meter)
CE	:	Consumer electronics
Clean Room	:	A Clean Room is an environment, typically used in manufacturing or scientific research, that has a low level of environmental pollutants such as dust, airborne microbes, aerosol particles and chemical vapors. More accurately, a Clean Room has a controlled level of contamination that is specified by the number of particles per cubic meter at a specified particle size. To give perspective, the ambient air outside in a typical urban environment contains 35,000,000 particles per cubic meter, 0.5 μm and larger in diameter, corresponding to an ISO 9 Clean Room.
CO ₂	:	Carbon dioxide, a gaseous chemical compound that upon solidifying under a pressurised and refrigerated environment, can sublime back to its gaseous form. This is used in precision cleaning because when sublimation occurs in an enclosed environment, a force from high pressure results and enables the dislodgement of surface contaminants.

DEFINITIONS (Cont'd)

DI	: De-ionised, a physical process to remove mineral ions from water which uses specially manufactured ion exchange resins which bind to and filter out the mineral salts from water
FOUP	: Front Opening Unified Pod, a specialised plastic enclosure designed to hold silicon wafers securely and safely in a controlled environment, and to allow the wafers to be removed for processing or measurement by tools equipped with appropriate load ports and robotic handling systems
FTIR	: Fourier Transform Infra-Red, being one form of Fourier transform spectroscopy measurement technique whereby spectra are collected based on measurements of the coherence of a radioactive source, using time-domain or space-domain measurements of the electromagnetic radiation or other type of radiation
HDD	: Hard Disk Drive, a non-volatile electronic storage device that uses rotating disks coated with ferromagnetic materials as the medium to record digitally encoded data
HEPA	: High Efficiency Particle Absorbing Filter, a type of air filter that can theoretically remove at least 99.97% of dust, pollen, mold, bacteria and any airborne particles with a size of 0.3 μm at 85 litres per minute (Lpm)
IC	: Ionic contamination, being the ionic residue of a surface or material that contains molecules or atoms that dissolve in water as free ions which are conductive
IPA	: Isopropyl alcohol, a chemical compound that can dissolve a wide range of polar compounds and is relatively non-toxic and evaporates quickly
ISO	: International Organisation for Standardisation, an international-standard-setting body for proprietary industrial and commercial standards based in Geneva, Switzerland
ISO/TS	: ISO Technical Specifications
IT	: Information technology
Just-In-Time	: An inventory strategy that companies employ to increase efficiency and reduce waste by receiving goods only as and when they are needed in the production process
LPC	: Liquid Particle Count
MBA	: Motor base assembly, a sub-assembly that spins the media in a HDD
NVR	: Non-Volatile Residue
ODM	: Original Design Manufacturer
OEM	: Original Equipment Manufacturer
PC	: Personal Computer

DEFINITIONS (Cont'd)

ppb	:	Parts per billion is a way of expressing very dilute concentrations of substances. Just as "per cent" means out of hundred, so "ppb" means out of a billion
QA	:	Quality Assurance
QC	:	Quality Control

In this Prospectus, reference to time relates to Malaysian time, unless otherwise specified.

In this Prospectus, words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include feminine and neuter genders and vice versa. Reference to persons shall, where applicable, include corporations.

Any reference in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Unless otherwise stated, the following foreign exchange rates as at the Latest Practicable Date are utilised throughout this Prospectus:-

- RMB1.00 : RM0.4657
- SGD1.00 : RM2.3979
- USD1.00 : RM3.0605

(Source: Bank Negara Malaysia as at the Latest Practicable Date)

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1 CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Nationality	Occupation
Yeo Hock Huat <i>(Executive Director)</i>	4 Jalan Gelam Sembawang Straits Estate Singapore 759367	Singaporean	Executive Chairman
Chow Kok Meng, Bert <i>(Executive Director)</i>	22 Jalan Peradun Seletar Hills Estate Singapore 808667	Singaporean	CEO
Loh Weng Yew <i>(Executive Director)</i>	Block 558, #09-60 Choa Chu Kang North 6 Singapore 680558	Singaporean	CFO
Dato' Mark William Ling Lee Meng <i>(Independent Non-Executive Director)</i>	2.02, No. 39, Lingkungan U-Thant 55000 Kuala Lumpur Malaysia	Malaysian	Company Director
Pang Kong Chek <i>(Independent Non-Executive Director)</i>	34, Jalan Bukit Maluri 6 Taman Bukit Maluri 52100 Kuala Lumpur Malaysia	Malaysian	Chief Financial Officer ⁽¹⁾
Yeo Seow Lai <i>(Non-Independent Non- Executive Director)</i>	Blk 111 Woodlands Street 13 #08-84 Singapore 730111	Singaporean	Senior Financial Consultant

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Mark William Ling Lee Meng	Chairman	Independent Non-Executive Director
Pang Kong Chek	Member	Independent Non-Executive Director
Yeo Seow Lai	Member	Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Dato' Mark William Ling Lee Meng	Chairman	Independent Non-Executive Director
Pang Kong Chek	Member	Independent Non-Executive Director
Yeo Hock Huat	Member	Executive Chairman

¹ Pang Kong Chek is a Chief Financial Officer of a private company unrelated to our Group.

1 CORPORATE DIRECTORY (Cont'd)

NOMINATION COMMITTEE

Name	Designation	Directorship
Dato' Mark William Ling Lee Meng	Chairman	Independent Non-Executive Director
Pang Kong Chek	Member	Independent Non-Executive Director
Yeo Seow Lai	Member	Non-Independent Non-Executive Director

COMPANY SECRETARY :

Lim Ming Toong
(MAICSA 7000281)
42 Jalan BK5B/1D
Bandar Kinrara
47180 Puchong
Selangor Darul Ehsan

Masharum Binti Abdul Wahab
(MAICSA 7041619)
No. 3, Jalan PUJ 7/12A
Taman Puncak Jalil
43300 Seri Kembangan
Selangor Darul Ehsan

REGISTERED OFFICE :

10th Floor, Menara Hap Seng,
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur

Tel no.: +603 2382 4288

HEAD OFFICE :

2 Woodlands Sector 1 #01-22
Singapore 738068

Tel no.: +65 6753 8077

***ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT*** :

Kenanga Investment Bank Berhad (15678-H)
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur

Tel no.: +603 2027 5555

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1 CORPORATE DIRECTORY (Cont'd)

- AUDITORS & REPORTING ACCOUNTANTS** : SJ Grant Thornton (AF: 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

Tel no.: +603 2692 4022
- AUDITORS OF OUR SINGAPORE-INCORPORATED SUBSIDIARIES** : Foo Kon Tan Grant Thornton LLP (200103673Z)
47 Hill Street #05-01
Singapore Chinese Chamber
of Commerce & Industry Bldg
Singapore 179365

Tel no.: +65 6336 3355
- SOLICITORS FOR THE LISTING AND ON MALAYSIAN LAW** : Abdullah Chan Advocates & Solicitors
31st Floor, UBN Tower
10, Jalan P. Ramlee
50250 Kuala Lumpur

Tel no.: +603 2381 2070
- SOLICITORS TO OUR COMPANY ON SINGAPORE LAW** : Lee & Lee Advocates & Solicitors
5 Shenton Way #07-00 UIC Building
Singapore 068808

Tel no.: +65 6220 0666
- SOLICITORS TO OUR COMPANY ON PRC LAW** : Tian Yuan Law Firm
11th Floor, Tower C, Corporate Square
No. 35 Financial Street
Xicheng District
Beijing, 100033
P. R. China

Tel no.: +8610 8809 2188
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel no.: +603 7841 8000

1 CORPORATE DIRECTORY (Cont'd)

SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd (378993-D) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel no.: +603 7841 8000
INDEPENDENT MARKET RESEARCH CONSULTANT	:	Frost & Sullivan Malaysia Sdn Bhd (522293-W) Suite E-08-15, Block E Plaza Mont' Kiara 2 Jalan Kiara, Mont's Kiara 50480 Kuala Lumpur Tel no.: +603 6204 5800
PRINCIPAL BANKER	:	United Overseas Bank Limited Head Office 80 Raffles Place UOB Plaza Singapore 048624 Tel no.: +65 6534 2334
LISTING SOUGHT	:	ACE Market of Bursa Securities
WEBSITE	:	http://www.mclean.com.sg

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2 SUMMARY INFORMATION

THE FOLLOWING IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR COMPANY. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

2.1 HISTORY AND BUSINESS OVERVIEW OF OUR GROUP

Our Company was incorporated in Malaysia under the Act on 17 March 2010 as a private limited company under the name of MClean Technologies Sdn Bhd. Our Company was incorporated principally to act as the investment holding company for our Group and the listed company under the Listing.

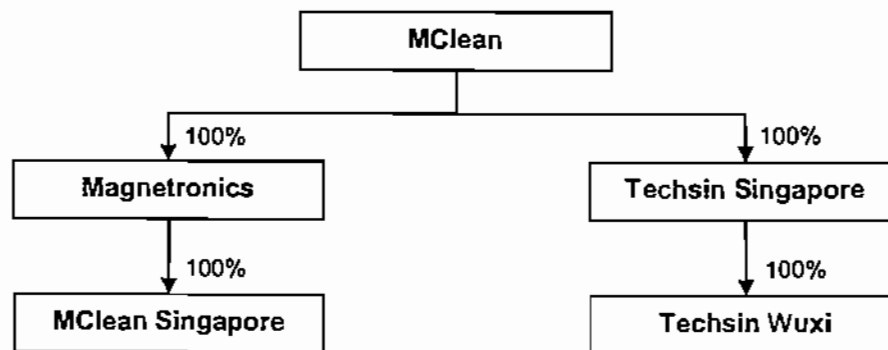
On 12 October 2010, our Company completed the acquisition of the entire equity interest of Magnetronics and Techsin Singapore. Magnetronics and Techsin Singapore are the holding companies for our Group's main operating entities, being MClean Singapore and Techsin Wuxi, respectively.

Our Group's principal activities are:-

- (i) The provision of precision cleaning and washing solutions for components of HDD, media cassettes, trays, as well as medical devices and other components that require a high level of precision cleaning; and
- (ii) The provision of precision plastic injection moulding for components of HDD such as filters, media cassettes and trays including components for other industries such as automotive, electronic and electrical industries (e.g, light guides, lenses, etc.).

Our principal activities are predominantly carried out in our Group's own in-house Clean Room facilities. Our Group's customers are mainly HDD main component suppliers and manufacturers such as Seagate, WD, Donaldson, etc. Our services are catered primarily to the Singapore, the PRC and the Malaysia markets.

Our Group's current corporate structure is as follows:-



2 SUMMARY INFORMATION (Cont'd)

Further details of the corporations within our Group and of our Group's history, business overview, nature and operations are provided in Sections 5 and 6 of this Prospectus.

2.2 OUR COMPETITIVE STRENGTHS**2.2.1 We are a market leader with respectable market share and economies of scale**

- We are currently one of the major precision cleaning outsourcing service providers in Singapore.
- We have the largest market share at approximately 38%⁽¹⁾ in Singapore and the second largest market share at approximately 26%⁽¹⁾ in the PRC.
- We are one of the pioneers in the HDD precision cleaning industry in Singapore.
- We have significant economies of scale from our facilities located in Singapore (Woodlands), the PRC (Wuxi) and our new facilities in the PRC (Wuxi) which commenced operations in November 2010.

2.2.2 We are able to consistently deliver quality and reliable services

- We have established strong and stable working relationships with our clients who are mainly MNCs.
- We are qualified by such MNCs to provide services to them.
- We are able to secure recurring orders from our key customers through consistent quality and reliability.

2.2.3 Experienced management team

- We have an experienced key management team with an average of over ten (10) years of management and production experience in the HDD industry.

2.2.4 Technical Expertise

- We are able to modify and adapt available technology to develop new washing methods for wider application in the industry.
- We are able to diversify our precision cleaning services to other objects within the HDD industry, as well as cater for other industries such as the semiconductor industry.
- We have a strong production engineering team.

2.2.5 Proximity to our customers

- Our operations are in proximity to our customers in Singapore and the PRC.
- We are able to provide immediate assistance and response to our customers due to this proximity.

¹ Based on the IMR Report as set out in Section 8 of this Prospectus.

2 SUMMARY INFORMATION (Cont'd)

- We are able to maintain our on-time deliveries to customers which are crucial performance indicators.

2.3 FUTURE PLANS AND STRATEGIES

2.3.1 Business Expansion

- We plan to expand our current high precision cleaning capabilities for our PRC operations.
- We plan to invest in new capabilities to complement our existing service offerings so as to position us as a one-stop solution provider in the HDD value chain.
- We have commissioned our new plant in the PRC and are currently engaging with an MNC customer on the qualification of our New Plant.

2.3.2 Utilisation of Other Cleaning Technologies

- We intend to deploy other alternative cleaning technologies by the 1st half of 2011 to cater to our customers' specific cleaning requirements, particularly the CO₂ precision cleaning method in our PRC facilities.
- Benefits from the deployment of such alternative technologies includes the widening of our Group's services to cater for other HDD components.
- We believe such alternative solution will increase our competitiveness in the precision cleaning services industry and create more business opportunities for our Group.

2.3.3 Maintain Focus in Singapore and Regional Operations

- We intend to continue maintaining our focus in the Singapore markets and will consider setting up operations in regional markets such as Malaysia and Thailand in the future, depending on the level of market demand for our services.

2.4 RISK FACTORS

The key risk factors affecting our Group include (but are not limited) to the following:-

(i) Business and Industry Risks

(a) Dependency on our major customers

- We are dependent on two (2) of our major customers, namely Seagate and Donaldson.
- Seagate contributes to our Group's revenue via direct sales as well as indirect sales through other customers.
- Our major customers can make substantial demands on us, including demands on service pricing and on contractual terms.

2 SUMMARY INFORMATION (Cont'd)

- Any disruptions of our major customers' operations would have a corresponding effect on our operations.
 - Our customers operate in an industry that experiences frequent volatility.
- (b) **Dependency on the HDD industry which is subject to fluctuating end-user demand of HDDs**
- Our financial and operational results are closely linked to the growth and performance of the HDD industry.
 - If the actual growth of the HDD industry does not occur at the rate we expect or at a rate consistent with those prevalent over the past years, our business growth may be affected.
 - If our customers were to lower the prices for their products, this could in turn force us to reduce the prices for our services.
- (c) **Dependency on the accuracy of HDD market demand and consumer requirements**
- If our customers' forecasts exceed actual market demand or, if market demand decreases unexpectedly, then the HDD industry could experience periods of product oversupply and price decreases, which could have a material adverse effect on our financial performance.
 - If our customers' forecasts do not meet actual market demand, or if market demand increases unexpectedly beyond our customers' forecasts, then we may not be able to satisfy our customers' increased requirements in a timely manner, and our customers may source for their requirements from alternative service providers.
 - We may have inadequate or excess capacities as compared with our customers' actual requirements, which could have a material adverse effect on our operating results and financial condition.
- (d) **Dependency on precision cleaning machines and equipment and their suppliers**
- Due to the specialised nature of the precision cleaning machines and equipment, the supply of such machines and equipment is limited to only a few suppliers.
 - Currently, all our precision cleaning machines and equipment are supplied by a related party, being JCS-Echigo Pte Ltd group of companies ("JCS Group").
 - Going forward, there is no assurance that we will be able to continually acquire additional precision cleaning machines and equipment to meet increased demand in capacity from the JCS Group.

2 SUMMARY INFORMATION (Cont'd)

In addition to the foregoing, we are also subject to the following business and industry risk factors:-

- (e) Fluctuation in gross profit margins;
- (f) Competition from the parallel entry to market by the PRC domestic players;
- (g) Our operating results depend on optimising overall quality and costs of new and established services;
- (h) We are exposed to the risk of non-renewal and revocation of permits and business licences;
- (i) Risk of termination or non-renewal of leased properties occupied by our Group;
- (j) Dependency on Key Management;
- (k) Ineffective management of our anticipated growth and expansion of our operations;
- (l) Changes in the markets for HDDs require us to develop new technology;
- (m) Reliance on manpower;
- (n) Reliance on utility supply;
- (o) Changes to the income tax incentives enjoyed by our PRC subsidiary will have a negative impact on our net profit;
- (p) Fluctuation in foreign exchange; and
- (q) The outbreak or threatened outbreak of any severe communicable disease in Singapore and the PRC could, if uncontrolled, affect our business and financial performance.

(ii) Risks relating to operations in a foreign jurisdiction

- (a) Economic, political and legal developments in the PRC and Singapore;
- (b) We may be adversely affected by changes and uncertainties in the PRC legal system;
- (c) Changes and uncertainties relating to permits, licences and approvals;
- (d) Our results of operations and financial condition may be adversely affected by the changes in the PRC foreign exchange controls;
- (e) A significant part of our operations and material assets are located in Singapore and the PRC. It could be difficult to enforce a judgement obtained in Malaysia against us, our Executive Directors and our Key Management; and
- (f) Other factors and restrictions may impede our ability to service any debt obligations or pay dividends to our Shareholders.

(iii) Risk relating to our securities

- (a) Failure or delays in the Listing;
- (b) No prior market for our Shares and Warrants;
- (c) Control by Promoters;
- (d) The market value of our Shares and Warrants may be volatile and subject to external factors; and
- (e) Disclosure regarding forward-looking statements.

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2 SUMMARY INFORMATION (Cont'd)

2.5 FINANCIAL HIGHLIGHTS

2.5.1 Proforma Consolidated Statement of Comprehensive Income

The following table summarises the proforma consolidated statement of comprehensive income of the MClean Group for the Financial Years / Period Under Review:-

	FYE			FPE	
	2007 RM	2008 RM	2009 RM	2009 ⁽¹⁾ RM	2010 RM
Revenue	27,279,063	25,663,790	25,305,373	18,470,286	29,575,798
Cost of sales	(17,502,185)	(20,081,530)	(16,315,282)	(14,475,828)	(15,902,049)
Gross profit	9,776,878	5,582,260	8,990,091	3,994,458	13,673,749
Other income	436,168	1,168,186	1,194,708	1,012,784	2,051,636
Profit before amortisation, depreciation, interest expenses and taxation	4,746,619	44,167	4,520,212	1,657,086	8,247,213
Depreciation	(2,100,458)	(2,225,143)	(2,191,081)	(1,798,750)	(1,668,266)
Interest expenses	(335,321)	(272,361)	(44,331)	(43,117)	(14,010)
PBT / (LBT) but after amortisation, depreciation and interest expenses	2,310,840	(2,453,337)	2,284,800	(184,781)	6,564,937
Taxation	(662,921)	273,808	(377,002)	(405,288)	(665,597)
PAT / (LAT)	1,647,919	(2,179,529)	1,907,798	(590,069)	5,899,340
Gross profit margin (%)	35.84	21.75	35.53	21.63	46.23
PBT / (LBT) margin (%)	8.47	(9.56)	9.03	(1.00)	22.20
PAT / (LAT) margin (%)	6.04	(8.49)	7.54	(3.19)	19.95
Number of Shares assumed to be issued ⁽²⁾	102,000,000	102,000,000	102,000,000	102,000,000	102,000,000
Gross EPS / (LPS) (sen) ⁽²⁾	2.27	(2.41)	2.24	(0.22) ⁽⁵⁾	7.72 ⁽⁵⁾
Net EPS / (LPS) (sen) ⁽²⁾	1.62	(2.14)	1.87	(0.69) ⁽⁵⁾	6.94 ⁽⁵⁾
Diluted EPS / (LPS) (sen) ⁽³⁾	1.40	N/a ⁽⁶⁾	1.63	N/a ⁽⁶⁾	6.03 ⁽⁵⁾
Diluted EPS / (LPS) upon the full exercise of Warrants (sen) ⁽⁴⁾	0.94	N/a ⁽⁶⁾	1.08	N/a ⁽⁶⁾	4.02 ⁽⁵⁾

Notes:-

- (1) Stated for comparison purpose only based on the unaudited accounts of the proforma MClean Group.
- (2) Based on enlarged share capital of 102,000,000 Shares resulting from the completion of our Company's acquisition of Magnetronics and Techsin Singapore's entire share capital on 12 October 2010.
- (3) Based on enlarged share capital of 117,400,000 Shares assuming the completion of the Public Issue.
- (4) Based on enlarged share capital of 176,100,000 Shares assuming the completion of the IPO and the full exercise of the Warrants.
- (5) Annualised for comparison purposes.
- (6) Not applicable as, due to the losses, there is an anti-dilutive effect from the assumed completion of the Public Issue and full exercise of the Warrants.

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2 SUMMARY INFORMATION (Cont'd)

2.5.2 Proforma Consolidated Statement of Financial Position

The proforma consolidated statement of financial position of our Company as at 31 October 2010 on the assumption that our Group had been in place on that date, the completion of the Public Issue and the full exercise of the Warrants is set out as follows:-

	(Audited)			
	As at 31 October 2010 RM	Proforma (I) After the Public Issue RM	Proforma (II) After Proforma I and Utilisation of Proceeds from Public Issue RM	Proforma (III) After Proforma II and Exercise of Warrants RM
EQUITY AND LIABILITIES				
Share capital	25,500,000	29,350,000	29,350,000	44,025,000
Share premium	-	4,158,000	3,542,743	24,784,443
Currency Fluctuation Reserve	487,068	487,068	487,068	487,068
Merger deficit	(22,246,256)	(22,246,256)	(22,246,256)	(22,246,256)
Warrant reserve	4,692,000	5,392,700	5,392,700	-
(Accumulated loss) / Unappropriated profit	10,449,631	9,748,931	8,021,188	8,021,188
Total shareholders' equity	18,882,443	26,890,443	24,547,443	55,071,443
NON-CURRENT LIABILITY				
Deferred taxation	797,995	797,995	797,995	797,995
	19,680,438	27,688,438	25,345,438	55,869,438

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2 SUMMARY INFORMATION (Cont'd)

	(Audited) As at 31 October 2010 RM	Proforma (I) After the Public Issue RM	Proforma (II) After Proforma I and Utilisation of Proceeds from Public Issue RM	Proforma (III) After Proforma II and Exercise of Warrants RM
Represented by:-				
NON-CURRENT ASSETS				
Property, plant and equipment	11,191,474	11,191,474	13,591,474	13,591,474
Development cost	597,789	597,789	597,789	597,789
Total non-current assets	11,789,263	11,789,263	14,189,263	14,189,263
CURRENT ASSETS				
Inventories	664,913	664,913	664,913	664,913
Trade and other receivables	8,453,323	8,453,323	8,453,323	8,453,323
Amount due from related companies	333,620	333,620	333,620	333,620
Fixed deposits with licensed banks	191,997	191,997	191,997	191,997
Cash and bank balances	3,831,472	11,839,472	7,096,472	37,620,472
Total current assets	13,475,325	21,483,325	16,740,325	47,264,325
CURRENT LIABILITIES				
Trade and other payables	4,562,580	4,562,580	4,562,580	4,562,580
Amount due to a director	280,363	280,363	280,363	280,363
Amount due to corporate shareholder	52,110	52,110	52,110	52,110
Bank overdraft	23,144	23,144	23,144	23,144
Tax payables	665,953	665,953	665,953	665,953
Total current liabilities	5,584,150	5,584,150	5,584,150	5,584,150

2 SUMMARY INFORMATION (Cont'd)

	(Audited)	Proforma (I)	Proforma (II)	Proforma (III)
	As at 31 October 2010 RM	After the Public Issue RM	After Proforma I and Utilisation of Proceeds from Public Issue RM	After Proforma II and Exercise of Warrants RM
Net current assets	7,891,175	15,899,175	11,156,175	41,680,175
	19,680,438	27,688,438	25,345,438	55,869,438
Net assets	18,882,443	26,890,443	24,547,443	55,071,443
Net tangible assets	18,284,654	26,292,654	23,949,654	54,473,654
Number of ordinary shares in issue	102,000,000	117,400,000	117,400,000	176,100,000
Number of warrants in issue	-	58,700,000	58,700,000	-
NET ASSETS PER ORDINARY SHARE (RM)	0.19	0.23	0.21	0.31
NET TANGIBLE ASSETS PER ORDINARY SHARE (RM)	0.18	0.22	0.20	0.31

Further notes to the proforma consolidated statement of financial position of our Company are set out in Section 15 of this Prospectus.

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2 SUMMARY INFORMATION (Cont'd)

2.5.3 Proforma Consolidated Statement of Cash Flows

The proforma consolidated statement of cash flows of our Company for the FPE 2010, with the assumption that our Group had been in place since the beginning of the FPE 2010, the completion of the Public Issue and the full exercise of the Warrants is set out as follows:-

Description	FPE 2010 (Proforma) RM
CASH FLOW FOR OPERATING ACTIVITIES	
PBT	6,564,937
Adjustments for:-	
Depreciation for property, plant and equipment	1,673,549
Allowance for slow moving inventories	17,322
Unrealised gain on foreign exchange	(12,503)
Interest expenses	14,010
Interest income	(1,755)
Waiver of debts	(888,418)
Operating profit before working capital changes	7,367,142
Changes in working capital:-	
Inventories	(304,518)
Receivables	(722,936)
Payables	(1,997,420)
Cash generated from operations	4,342,268
Interest paid	(14,010)
Tax refund	46,854
Net Cash Generated From Operating Activities	4,375,112
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	
- working capital	(709,725)
- utilisation of listing proceeds	(2,400,000)
Development cost incurred	(610,743)
Fixed deposit subject to restriction	(1,031)
Interest received	1,755
Net Cash Used In Investing Activities	(3,719,744)
CASH FLOW FROM FINANCING ACTIVITIES	
Repayment of finance creditors	(355,686)
Proceeds from issuance of shares	2
Proceeds from exercise of warrants	30,524,000
Proceeds from listing	8,008,000
Payment of estimated listing expenses	(2,343,000)
Repayment to director	(45,005)
Advances from related company	446,464
Repayment to former holding company of Techsin Wuxi	(917,558)
Net Cash From Financing Activities	35,317,217

2 SUMMARY INFORMATION (cont'd)

Description	FPE 2010 (Proforma) RM
CASH AND CASH EQUIVALENTS	
Net changes	35,972,585
Brought forward	1,626,941
Effect of foreign exchange translation differences on cash and cash equivalents	(2,198)
Carried forward	37,597,328
CASH AND CASH EQUIVALENTS COMPRISE OF:-	
Cash and bank balances	37,620,472
Bank overdraft	(23,144)
	37,597,328

In the event that none of the Warrants is exercised, the net cash from financing activity shall be RM4,793,217, with the cash and cash equivalent as at 31 October 2011 being RM7,073,328.

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2 SUMMARY INFORMATION (cont'd)**2.6 PRINCIPAL STATISTICS RELATING TO THE IPO****(a) Share capital**

	Number of Shares	Share Capital RM
Authorised:-	400,000,000	100,000,000
Issued and fully paid-up as at the Latest Practicable Date	102,000,000	25,500,000
To be issued pursuant to the Public Issue	15,400,000	3,850,000
Enlarged issued and paid-up ordinary share capital	117,400,000	29,350,000
To be issued pursuant to full exercise of the Warrants	58,700,000	14,675,000
Enlarged issued and paid-up ordinary share capital upon the full exercise of the Warrants	176,100,000	44,025,000
To be offered under the Offer for Sale	11,050,000	2,762,500

(b) **IPO Price per Share** **RM0.52**

(c) **Market capitalisation of our Company based on the IPO Price** **RM61,048,000**

(d) **Proforma NTA**

	Proforma NTA RM	Proforma NTA per Share RM
Based on the enlarged issued and paid-up ordinary share capital after the Public Issue and deducting estimated listing expenses	23,949,654	0.20
Based on the enlarged issued and paid-up ordinary share capital after the Public Issue, deducting estimated listing expenses and assuming full exercise of the Warrants	54,473,654	0.31

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2 SUMMARY INFORMATION (cont'd)

(e) Classes of securities and ranking

We have only one (1) class of ordinary shares in our Company, namely ordinary shares of RM0.25 each and one (1) class of warrants in our Company, rank *pari passu* and rateably in all aspects within discrimination or preference, namely the five (5)-year 2011/2016 warrants of our Company. The Warrants do not carry any voting rights in relation to our Shares.

Please refer to Section 3.4 of this Prospectus for further details in respect of our Shares and Warrants.

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3. PARTICULARS OF THE IPO

3.1 OPENING AND CLOSING OF APPLICATION

The application for the IPO will open at 10.00 a.m. on 21 April 2011 and will remain open until 5.00 p.m. on 28 April 2011 or such later date or dates as our Board, Promoters, Offerors or KIBB, at their absolute discretion, may jointly decide. Late applications will not be accepted.

3.2 IMPORTANT DATES

The indicative timing of events leading up to the listing of and quotation for our Company's entire enlarged issued and paid-up ordinary share capital on the ACE Market and Warrants on the Official List is set out below: -

Event	Tentative Date
Issuance of Prospectus / Opening of Application for the IPO Shares	21 April 2011
Closing of Application for the IPO Shares	28 April 2011
Balloting Date	3 May 2011
Despatch of Notices of Allotment to successful applicants	9 May 2011
Listing of our Company's entire enlarged issued and paid-up ordinary share capital on the ACE Market and Warrants on the Official List	10 May 2011

Save for the opening date of the application for the IPO Shares, these dates are tentative and are subject to changes which may be necessary to facilitate implementation procedures.

Should the date of closing of application for the IPO Shares be extended, the dates for balloting, despatch of notices of allotment to successful applicants and listing of our entire enlarged issued and paid-up ordinary share capital on the ACE Market and Warrants on the Official List will be extended accordingly. In the event the date of the closing of application for the IPO Shares is extended, the public will be notified of such extension by way of advertisements placed in widely circulated English and Bahasa Malaysia newspapers within Malaysia prior to the original closing date.

3.3 OUR SHAREHOLDING STRUCTURE

Our Company was incorporated in Malaysia under the Act on 17 March 2010 with an issued and paid-up share capital of RM2.00, comprising two (2) ordinary shares of RM1.00 each to principally act as our Group's investment holding company and the listed company under the Listing. Further information relating to the details of our Company and our Group are set out in Section 5 of this Prospectus.

Our Company completed a sub-division of our issued and paid-up ordinary share capital on 5 April 2010 and 31 May 2010 to a par value of RM0.25, comprising eight (8) Shares. As at the Latest Practicable Date, our Company's ordinary issued and paid-up share capital is RM25,500,000 comprising 102,000,000 Shares.

3. PARTICULARS OF THE IPO (Cont'd)

As at the Latest Practicable Date, the shareholdings of our Substantial Shareholders are as follows:-

Name	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
JGPL	38,747,942	37.99	-	-
Jason Yeo	27,487,000 ⁽⁴⁾	26.95	39,748,004 ⁽²⁾	38.97
Bert Chow	10,919,999	10.71	-	-
SinCo Technologies	18,599,997	18.24	-	-
Lim Jit Ming, Bryan	-	-	18,599,997 ⁽³⁾	18.24

Notes:-

- (1) Based on the total Shares-in-issue as at the Latest Practicable Date of 102,000,000 Shares.
- (2) Deemed interested by virtue of his siblings', Yeo Seow Lai and Yeo Lian Chang, shareholdings in our Company and his shareholdings in JGPL pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholdings in SinCo Technologies pursuant to Section 6A of the Act.
- (4) Immediately prior to the Public Issue and the Offer for Sale, Jason Yeo's shareholding shall be reduced to 26,717,000 Shares or approximately 26.19% of our Company's Shares-in-issue then by virtue of a partial settlement to KIBB for services rendered as Placement Agent in respect of the placement of his portion of the Offer Shares amounting to 770,000 Shares and 385,000 Warrants, further details of which are set out in Sections 3.11(c) and 11.9(i) of this Prospectus.

In addition to the Shares-in-issue, a total of 51,000,000 Warrants is pending issuance and allotment as part consideration for our Company's acquisition of the entire issued and paid-up share capital of Magnetronics and Techsin Singapore. The Warrants are expected to be issued and allotted on the date of the Public Issue simultaneously with the issuance and allotment of the Public Issue Warrants to the successful applicants.

The reason for the deferred issuance of the 51,000,000 Warrants is for all the Warrants to be issued and allotted under the same series as those of the Public Issue Warrants and be constituted by the Deed Poll. Pursuant to this, the beneficial interest of our Substantial Shareholders in our Warrants upon issuance is as follows:-

Name	Direct		Indirect	
	No. of Warrants	% ⁽¹⁾	No. of Warrants	% ⁽¹⁾
JGPL	21,373,971	36.41	-	-
Jason Yeo	14,981,000	25.52	21,374,002 ⁽²⁾	36.41
Bert Chow	4,959,999	8.45	-	-
SinCo Technologies	9,299,999	15.84	-	-
Lim Jit Ming, Bryan	-	-	9,299,999 ⁽³⁾	15.84

Notes:-

- (1) Based on the total 58,700,000 Warrants to be issued pursuant to the Public Issue upon completion of the IPO.
- (2) Deemed interested by virtue of his sibling's, Yeo Seow Lai, beneficial warrant holdings in our Company upon issuance of the Warrants and his shareholdings in JGPL pursuant to Section 6A of the Act.

3. PARTICULARS OF THE IPO (Cont'd)

- (3) *Deemed interested by virtue of his shareholdings in SinCo Technologies pursuant to Section 6A of the Act.*

3.4 SHARE CAPITAL

On Listing, we will have only two (2) classes of securities in our Company, namely the Shares and the Warrants. The details of which are set out as follows:-

(a) The Shares

	Number of Shares	Share Capital RM
<i>Authorised</i>	400,000,000	100,000,000
<i>Issued and fully paid-up as at the Latest Practicable Date</i>	102,000,000	25,500,000
<i>To be issued pursuant to the Public Issue</i>	15,400,000	3,850,000
<i>Enlarged issued and paid-up ordinary share capital after the Public Issue</i>	117,400,000	29,350,000
<i>To be issued upon full exercise of the Warrants</i>	58,700,000	14,675,000
<i>Enlarged issued and paid-up ordinary share capital after the Public Issue and the full exercise of the Warrants</i>	176,100,000	44,025,000
<i>To be offered under the Offer for Sale</i>	11,050,000	2,762,500

IPO Price per Share RM0.52

Market capitalisation of our Company based on the IPO Price RM61,048,000

Proforma NTA

	Proforma NTA RM	Proforma NTA per Share RM
Based on the enlarged issued and paid-up ordinary share capital after the Public Issue and deducting estimated listing expenses	23,949,654	0.20
Based on the enlarged issued and paid-up ordinary share capital after the Public Issue, deducting estimated listing expenses and assuming full exercise of the Warrants	54,473,654	0.31

3. PARTICULARS OF THE IPO (Cont'd)

The Public Issue Shares will upon allotment rank *pari passu* in all respects with one another and all other existing issued and fully paid-up Shares including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the Public Issue Shares and they shall not be entitled to any distributions declared or such entitlements for which the record date is prior to the allotment of the Public Issue Shares.

The Offer Shares will rank *pari passu* in all respects with our other existing issued and paid-up Shares including voting rights and will be entitled to all rights and dividends and distributions that may be declared.

Subject to any special rights attached to any shares which we may issue in the future, our ordinary shareholders shall, in proportion to the amount paid-up on the MClean Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in the event of our liquidation, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder shall be entitled to vote at our general meetings in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each MClean Share held. A proxy may but need not be a member of our Company, or qualified legal practitioner, or an approved company auditor or a person approved by the Registrar and the provisions of Section 149(1)(b) of the Act shall not apply to our Company.

(b) The Warrants

	Number of Warrants
<i>Number of Warrants to be issued as at the Latest Practicable Date</i>	51,000,000
<i>To be issued pursuant to the Public Issue Warrants in issue after the IPO</i>	7,700,000
	58,700,000
<i>To be offered under the Offer for Sale</i>	5,525,000

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3. PARTICULARS OF THE IPO (Cont'd)

The Warrants shall be issued in registered form and are constituted by the Deed Poll. Any fraction arising from the issuance of the Warrants will be dealt in such manner as our Board in our absolute discretion deems fit and expedient in order to minimise the incidence of odd lots, and in the best interest of our Company. The Warrants shall be exercisable at any time within the period commencing on, and inclusive of, the date of issue of the Warrants and ending on the date preceding the fifth (5th) anniversary of the date of admission of the Warrants to the Official List, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day, but excluding the five (5) clear Market Days prior to a books closure date or entitlement date announced by our Company and those days during that period on which the Record of Depositors and/or the Warrants register is or are closed.

The admission of the Warrants to the Official List and the listing of and quotation for the Warrants on the Official List shall take place on the same date as the admission of, the listing of and quotation for the entire issued and paid-up ordinary share capital of our Company on the ACE Market. Notwithstanding that, the listing of the Warrants on the Official List is subject to there being at least one hundred (100) holders of Warrants of not less than one (1) board lot each.

Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.

As a result of the completion of our Company's acquisition of the entire issued and paid-up share capital of Magnetronics and Techsin Singapore on 12 October 2010 and in accordance with the terms and conditions of the said acquisition, a total of 51,000,000 Warrants as part of the consideration for the acquisition ("**Consideration Warrants**") is to be issued and allotted to the respective vendors on the date of the Public Issue simultaneously with the Public Issue Warrants. The reason for such a deferred issuance is for all the Warrants (i.e. both the Consideration Warrants and the Public Issue Warrants) to be issued and allotted simultaneously under the same series and constituted by the Deed Poll.

The salient terms of the Warrants are set out as follows:-

Terms	Details
Total Issue	: 58,700,000 Warrants.
Form and Denomination	: The Warrants will be issued in registered form and are constituted by the Deed Poll.
Tenure	: From the date of issuance of the Warrants and ending on the last day of the Exercise Period.

In accordance with the date of issuance of the Public Issue Shares, the Warrants issue date is expected to be 9 May 2011.

Assuming our Company's listing date is 10 May 2011, the expiring date of the Warrants shall be 9 May 2016.

3. PARTICULARS OF THE IPO (Cont'd)

Terms	Details
Exercise Period	<p>The Warrants shall be exercisable at any time within the period commencing on, and inclusive of, the date of issue of the Warrants and ending on the date preceding the fifth (5th) anniversary of the date of admission of the Warrants to the Official List, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day, but excluding the five (5) clear Market Days prior to a books closure date or entitlement date announced by our Company and those days during that period on which the Record of Depositors and/or the Warrants Register is or are closed.</p> <p>Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.</p>
Entitlement	Subject to the provisions to be included in the Deed Poll, each Warrant shall entitle the registered holder during the Exercise Period to subscribe for one (1) new Share at the Exercise Price.
Exercise Price	RM0.52 for each Warrant.
Mode of Exercise	The registered holder of the Warrants shall pay cash at the Exercise Price when subscribing for the new Shares.
Listing	Application has been made to Bursa Securities for the admission, listing of and quotation for the Warrants and the listing of and quotation for the new Shares to be issued upon exercise of the Warrants on the ACE Market on 15 November 2010 and the approval was received vide Bursa Securities' letter dated 10 March 2011.
Board Lots	The Warrants are tradable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Shares.
Transferability	The Warrants shall be transferable in the manner to be set out in the Deed Poll subject always to the provisions of the Central Depositories Act and the Rules.
Deed Poll	The Warrants are constituted by a Deed Poll executed by our Company on 4 April 2011.
Voting rights	The Warrants do not carry any voting rights in relation to our Shares.

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3. PARTICULARS OF THE IPO (Cont'd)

Terms	Details
Ranking of the new Shares from exercise of Warrants	<p>The new Shares to be issued pursuant to the exercise of the Warrants shall, upon issue and allotment, rank <i>pari passu</i> in all respects with the then existing Shares save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which precedes the relevant exercise date of the Warrants.</p> <p>In respect of any exercise of Warrants, within eight (8) Market Days after the date of receipt of a subscription form together with the requisite payment or such other period as may be prescribed or allowed by Bursa Securities, our Company must:-</p> <ul style="list-style-type: none"> (i) allot and/or issue the Shares arising from the exercise of Warrants; (ii) despatch a notice of allotment to the holder of the Warrants; and (iii) apply for the quotation of such new Shares to be issued arising from the exercise of Warrants on the ACE Market. <p>As the new Shares issued pursuant to the exercise of Warrants are prescribed securities under the CDS, no physical share certificates will be issued to those Warrants holders exercising their respective rights for the new Shares to be issued upon exercise of the Warrants.</p>
Rights of Warrant holders on winding up, compromise or arrangement of the Company	<p>In case of a winding up, compromise or arrangement of our Company, every Warrant holder is entitled, within six (6) weeks from the last approval for the winding up, compromise or arrangement (as the case may be) to exercise his rights represented by the Warrants by payment of the Exercise Price within the said six (6) weeks and upon such exercise, shall be deemed and be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement (as the case may be) been the holder of new Shares arising from the exercise of the Warrants.</p>
Rights of Warrant holders on take-over offer	<p>Where a take-over offer is made for any Shares, our Company shall procure the offeror to make a take-over offer for the Warrants and make appropriate arrangements to safeguard the interests of the Warrant holders. A Warrant holder will be entitled to exercise his rights under his Warrants at any time during the Exercise Period in the event our Company received a legally binding take-over offer in relation to our Shares.</p>

3. PARTICULARS OF THE IPO (Cont'd)

Terms	Details
Adjustment in the Exercise Price and/or the number of Warrants held by Warrant holders in the event of alteration to the share capital	: Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of Warrants held by each Warrant holder shall be adjusted by our Directors in consultation with the auditor or adviser, in the event of alteration to the share capital of our Company including but not limited to share consolidation or subdivision or conversion, issuance of shares by way of capitalisation of profits or reserves, capital distribution and right issue of shares or convertible securities in accordance with the provisions as set out in the Deed Poll.
Participating Rights of Warrant holders in any distributions and/or offers of further securities	: Our Company shall be at liberty to issue Shares to the shareholders of MClean either for cash or as a bonus distribution and further rights issuance upon such terms and conditions as our Company sees fit but the Warrant holders shall not have any participating rights in such issue unless otherwise resolved by our Company in general meeting. The Warrants are also not entitled to any dividends, rights, allotments and/or other distributions other than on winding-up, compromise or arrangement of our Company.
Rights to meeting	: Warrant holders holding not less than ten percent (10%) of the Warrants may, with the consent of our Company, request to hold a meeting of Warrant holders to consider any matter affecting their interests. All or any rights attached to the Warrants, other than the Exercise Price or the formulae for adjustment of the Exercise Price and/or the number of Warrants may, from time to time (whether or not our Company is being wound up), be altered or abrogated.
Governing law	: The laws of Malaysia.

3.5 PARTICULARS OF OUR IPO

Our IPO comprises the initial offering of the Public Issue Shares (together with the Public Issue Warrants) by our Company and the sale of the Offer Shares (together with the Offer Warrants) by the Offerors.

The basis of allocation for the IPO Shares takes into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market for our Shares and Warrants.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of IPO Shares.

3.5.1 The Public Issue

The Public Issue is an invitation by us to the public to subscribe for the Public Issue Shares (together with the Public Issue Warrants) at the IPO Price, subject to the terms and conditions contained in this Prospectus and the Application Forms.

3. PARTICULARS OF THE IPO (Cont'd)

An aggregate of 15,400,000 Shares representing approximately 13.12% of our enlarged issued and paid-up ordinary share capital, together with 7,700,000 new Warrants, are being offered at the IPO Price under the Public Issue. The Public Issue Warrants are to be issued together with the Public Issue Shares under the IPO on the basis of one (1) new Warrant for every two (2) Shares successfully applied for. The Public Issue Shares are payable in full upon application and are subject to the terms and conditions contained in this Prospectus and the Application Forms. Based on the IPO Price, the gross proceeds from the Public Issue will be RM8,008,000.

The Public Issue Shares (together with the Public Issue Warrants) are made available by us for subscription by individuals, companies, societies, co-operatives and institutions by way of private placement and public balloting allocated in the following manner:-

Public Issue	No. of Public Issue Shares to be allotted	No. of Public Issue Warrants to be allotted
(a) By way of private placement to identified investors (either local / foreign)	8,600,000	4,300,000
(b) Made available to business associates of our Group (either local / foreign) ⁽¹⁾	4,100,000	2,050,000
(c) By way of balloting to the public	2,700,000	1,350,000
Total	15,400,000	7,700,000

Note:-

(1) *The criteria for allocation to business associates of our Group is based on, amongst others, the nature and terms of their business relationship and the duration of their respective business relationship with our Group.*

In the event any Public Issue Shares (together with its corresponding number of Public Issue Warrants) under 3.5.1(b) above are not taken up by the business associates of our Group, such Public Issue Shares (together with the Public Issue Warrants) not subscribed for may be made available for application by the public under Section 3.5.1(c) or be allocated by way of private placement to identified investors (either local / foreign) under Section 3.5.1(a)

In the event of an under-subscription of the Public Issue Shares (together with its corresponding number of Public Issue Warrants) under Section 3.5.1(c) above, such remaining Public Issue Shares (together with the Public Issue Warrants) not subscribed for may be transferred from the balloting tranche and allocated by way of private placement to identified investors (either local / foreign), and vice versa.

The Public Issue Shares (together with the Public Issue Warrants) under Sections 3.5.1(b) and (c) have been fully underwritten by our Underwriter. The Public Issue Shares (together with the Public Issue Warrants) made available under Section 3.5.1(a) will not be underwritten since investors have been identified to subscribe for the said securities. Our Placement Agent has received irrevocable undertakings from the identified investors to subscribe for the Public Issue Shares (together with the Public Issue Warrants) under Section 3.5.1(a) above.

3. PARTICULARS OF THE IPO (Cont'd)

The Warrants will be allotted on the basis of one (1) new Warrant for every two (2) Public Issue Shares successfully subscribed for. For the Warrants to be listed, there must be at least one hundred (100) holders of the Warrants, each holding not less than one (1) board lot of the Warrants.

There is no minimum subscription amount to be raised from the Public Issue as the Public Issue Shares (together with the Public Issue Warrants) are either fully underwritten or investors have been identified to subscribe for them.

3.5.2 The Offer for Sale

In conjunction with the IPO, an aggregate of 11,050,000 Shares, representing 9.41% of our enlarged issued and paid-up ordinary share capital, together with 5,525,000 Warrants, representing 9.41% of the total Warrants in-issue after the IPO, are being offered to identified investors (either local / foreign) by way of private placement at the IPO Price under the Offer for Sale. The Offer for Sale shall be subject to the terms and conditions contained in this Prospectus and the Application Forms. Based on the IPO Price, the gross proceeds from the Offer for Sale will be RM5,746,000, which will accrue totally to the Offerors.

The breakdown of the securities offered by the Offerors is as follows:-

Offerors	No. of Offer Shares	% of Shares Issued as at the Latest Practicable Date	% of enlarged Shares Issued after the Public Issue	No. of Offer Warrants	% of Warrants in Issue after the Public Issue
Jason Yeo	5,600,000	5.49	4.77	2,800,000	4.77
Bert Chow	2,000,000	1.96	1.70	1,000,000	1.70
SinCo Technologies	3,450,000	3.38	2.94	1,725,000	2.94
Total	11,050,000	10.83	9.41	5,525,000	9.41

Details of our Offerors are set out hereunder:-

Offerors	Registered Address	Relationship with our Group within the past three (3) years
Jason Yeo	4 Jalan Gelam Sembawang Straits Estate Singapore 759367	Executive Chairman, Promoter and Substantial Shareholder
Bert Chow	22 Jalan Peradun Seletar Hills Estate Singapore 808667	Executive Director, CEO, Promoter and Substantial Shareholder
SinCo Technologies	2 Woodlands Sector 1 #01-02 Singapore 738068	Substantial Shareholder

3. PARTICULARS OF THE IPO (Cont'd)

The shareholdings of the Offerors in our Company before and after the IPO as at the Latest Practicable Date are as follows:-

Offerors	As at date the Latest Practicable Date				Upon completion of the IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Jason Yeo	27,487,000 ⁽⁴⁾	26.95	39,748,004 ⁽³⁾	38.97	21,117,000	17.99	39,748,004 ⁽³⁾	33.86
Bert Chow	10,919,999	10.71	-	-	8,919,999	7.60	-	-
SinCo Technologies	18,599,997	18.24	-	-	15,149,997	12.90	-	-
Total	57,006,996	55.90	39,748,004	38.97	45,186,998	38.49	39,748,004	33.86

Notes:-

(1) Based on the Shares-in-issue of 102,000,000 as at the Latest Practicable Date.

(2) Based on the Shares-in-issue of 117,400,000 after the completion of the IPO.

(3) Deemed interested by virtue of his siblings', Yeo Seow Lai and Yeo Lian Cheng, shareholdings in MClean and his shareholdings in JGPL pursuant to Section 6A of the Act.

(4) Immediately prior to the Public Issue and the Offer for Sale, Jason Yeo's shareholding shall be reduced to 26,717,000 Shares or approximately 26.19% of our Company's Shares-in-issue then by virtue of a partial settlement to KIBB for services rendered as Placement Agent in respect of the placement of his portion of the Offer Shares amounting to 770,000 Shares and 385,000 Warrants, further details of which are set out in Sections 3.11(c) and 11.9(i) of this Prospectus.

The Warrants will be allotted on the basis of one (1) Warrant for every two (2) Offer Shares successfully acquired. For the Warrants to be listed, there must be at least one hundred (100) holders of the Warrants, each holding not less than one (1) board lot of the Warrants.

The number of Warrants that will be held by our Offerors after the IPO are as follows:-

Offerors	Upon completion of the IPO			
	Direct		Indirect	
	No. of Warrants	% ⁽¹⁾	No. of Warrants	% ⁽¹⁾
Jason Yeo	12,181,000	20.75	21,374,002 ⁽²⁾	36.41
Bert Chow	3,959,999	6.75	-	-
SinCo Technologies	7,574,999	12.90	-	-
Total	23,715,998	40.40	21,374,002	36.41

Notes:-

(1) Based on the 58,700,000 Warrants to be issued after the completion of the IPO.

(2) Deemed interested by virtue of his sibling's, Yeo Seow Lai beneficial Warrant holdings upon issuance of the Warrants and his shareholdings in JGPL pursuant to Section 6A of the Act.

The Offer Shares (together with the Offer Warrants) made available under the Offer for Sale as described above will not be underwritten since investors have been identified to acquire these securities. Our Placement Agent has received irrevocable undertakings from the identified investors to acquire the Offer Shares (together with the Offer Warrants).

3. PARTICULARS OF THE IPO (Cont'd)

3.6 PURPOSE OF THE IPO

The purpose of the IPO is:-

- (i) To provide our Group with access to the capital markets for further development and growth, both at the time of the IPO and later, through other future capital raisings. The fund-raising through the IPO will allow our Group to implement our business strategies for the Group and allow us to expand our capabilities and capacity;
- (ii) To enhance our stature and heighten our public profile with customers and suppliers in marketing our services, taking into account the requisite compliance framework as a listed company, disclosure requirements and corporate governance imposed upon us as part of our listing on the ACE Market;
- (iii) To promote greater market recognition and visibility for our Group, which is expected to expose us to more opportunities with new customers and businesses as a listed company;
- (iv) To provide an opportunity for the investing public to participate in our equity and continuing growth; and
- (v) To enable us to retain and attract able and qualified personnel through our profile as a listed company, thus allowing us to further expand our business prospects.

As part of the IPO, free detachable Warrants are issued to investors of the IPO Shares on the basis of one (1) Warrant for every two (2) Shares successfully applied for / acquired. The issuance of the Warrants as part of the IPO is:-

- (i) to provide further incentive for our potential investors to participate in our IPO as it provides a fixed conversion amount at the IPO Price for one (1) new Share over the tenure of the Warrants of five (5) years which would effectively allow Warrants holders to enjoy potential future capital gains (arising from its exercise) depending on our Group's financial performance and our Company's share price performance;
- (ii) with the exercise of the Warrants, Shareholders would be given an opportunity to increase their equity participation in our Company during the Warrant's tenure and simultaneously, our Group would also be provided with an additional source of fund-raising as and when the Warrants are exercised, which will further strengthen our Company's capitalisation; and
- (iii) as the Warrants are also listed and traded on Bursa Securities, the Warrants thereby provides Shareholders with an attractive alternative platform to trade in our securities as opposed to only our Shares. Warrants holders would be able to benefit from potential capital appreciation of the Warrants depending on our Company's share price performance and/or our Group's financial performance.

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3. PARTICULARS OF THE IPO (Cont'd)

3.7 PRICING OF THE IPO SHARES

We and KIBB as the Adviser, Sponsor, Underwriter and Placement Agent have determined and agreed on the IPO Price of RM 0.52 per Share, after taking into account, *inter-alia*, the following:-

- (a) The prevailing market condition with recent previous listings of companies on the ACE Market of Bursa Securities since March 2010 up to the Latest Practicable Date at an average historical PER of 9.57 times;
- (b) Our Group's proforma EPS of 1.63 sen, computed based on our Group's proforma PAT of approximately RM1.91 million for the FYE 2009 and our post-IPO enlarged issued and paid-up ordinary share capital, translating to a PER of approximately 31.90 times;
- (c) Our Group's proforma EPS of 6.03 sen, computed based on our Group's annualised PAT of approximately RM7.08 million for the FPE 2010 and our post-IPO enlarged issued and paid-up ordinary share capital, translating to a PER of approximately 8.62 times;
- (d) Our proforma financial and operating history and position as described in Section 12 and Section 13 of this Prospectus particularly the growth in our Group's financial performance over FYE 2009 and FPE 2010;
- (e) The experience, knowledge and skills of our Key Management as set out in Section 9.4.2 of this Prospectus as well as the qualification, diversity and experience of the members of our Board, the details of which are set out in Section 9.2.2 of this Prospectus; and
- (f) The competitive strengths, market position, positive industry outlook, future plans and strategies and prospects of our Group as described in Section 6 and Section 8 of this Prospectus.

The Exercise Price of the Warrants is fixed at RM0.52 per Warrant for one (1) Share after taking into account the following:-

- (aa) the Exercise Price is equal to the IPO Price; and
- (bb) those factors as set out above.

You should note that the market price of our Shares and Warrants upon listing on the ACE Market and the Official List, respectively is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares and Warrants being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own view on the valuation of the Shares and Warrants before deciding on whether to invest in our Shares.

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3. PARTICULARS OF THE IPO (Cont'd)

3.8 ACQUISITION OF INTEREST IN THE GROUP

Apart from the Acquisitions and save as disclosed below, none of our Directors, Substantial Shareholders, Key Management and/or persons connected to them has acquired / subscribed or has the rights to acquire / subscribe any interest in our Group during the past three (3) years prior to the date of this Prospectus:-

	No. of Shares	Aggregate consideration (RM)	Average effective cost per Share (sen)
Promoters, Directors, Substantial Shareholders and Key Management			
Jason Yeo ⁽¹⁾	40,000,008 ⁽²⁾	5,754,964 ⁽³⁾	0.14
Bert Chow	1,000,000	150,000	0.15
Director and Key Management			
Loh Weng Yew	550,000	82,500	0.15
Director			
Yeo Seow Lai ⁽¹⁾	600,000	90,000	0.15
Key Management			
Hee Suh Ling	400,000	60,000	0.15
Ng Kwang Eng	400,000	60,000	0.15
Other person connected			
Yeo Lian Cheng ⁽¹⁾	400,000	60,000	0.15

Notes:-

- (1) Jason Yeo, Yeo Seow Lai and Yeo Lian Cheng are siblings.
- (2) Comprising of the 40,000,000 new Shares issued to Jason Yeo as consideration for the disposal of the entire issued and paid-up share capital in Techsin Singapore to our Company under the Acquisitions and the 8 Shares being our subscribers' Shares as described in Note (3) below.
- (3) Comprising of Jason Yeo's cost of investment in:-
 - (i) Techsin Singapore pursuant to its incorporation on 4 November 2009 of SGD1.00 (equivalent to approximately RM2.40) being its subscriber's shares in cash;
 - (ii) the subscription for an additional 2,400,000 new ordinary shares in Techsin Singapore for a consideration of SGD2,400,000 (equivalent to approximately RM5,754,960), further details of which are set out in Section 5.5.3(b) of this Prospectus; and
 - (iii) the acquisition of 8 Shares being our subscribers' Shares on 11 October 2010 for a cash consideration of RM2.00.

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3. PARTICULARS OF THE IPO (Cont'd)

3.9 DILUTION

Dilution is the amount by which the IPO Price to be paid by the applicants for our IPO Shares exceeds our NA per Share after the IPO:-

	sen
IPO Price	52
Proforma consolidated NA per Share as at 31 October 2010, based on pre-Public Issue share capital of 102,000,000 MClean Shares (after the Acquisitions)	19
Increase / (Decrease) in proforma consolidated NA per Share after the Public Issue	4
Proforma consolidated NA per Share after the Public Issue	23
Proforma consolidated NA per Share after the Public Issue and net of estimated listing expenses	21
Dilution In NA per Share to applicants for the IPO Shares	31
Proforma consolidated NA per Share after the Public Issue and net of estimated listing expenses and upon exercise of Warrants	31
Dilution in NA per Share to applicants for the IPO Shares	21

Our proforma consolidated NA per Share as at 31 October 2010 after taking into account the Acquisitions but before adjusting for the net proceeds from the Public Issue and based on the pre-IPO share capital of 102,000,000 MClean Shares is 19 sen.

Based on the post-IPO share capital of 117,400,000 MClean Shares at the IPO Price pursuant to the Public Issue and after deducting the estimated listing expenses of approximately RM2.34 million, the proforma consolidated NA per Share of our Company as at 31 October 2010 would be 21 sen which represents a dilution of 31 sen per Share (or approximately 59.62%) to applicants for the IPO Shares. Upon exercise of the Warrants, the dilution to the proforma consolidated NA per Share of our Company is expected to be 21 sen (or approximately 40.38%) to 31 sen.

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3. PARTICULARS OF THE IPO (Cont'd)

3.10 PROCEEDS FROM THE IPO AND INTENDED UTILISATION

The gross proceeds from the Public Issue amounting to RM8,008,000 is intended to be utilised as follows:-

Note	Proposed Utilisation	RM'000	% of gross proceeds	Expected time frame for utilisation
(a)	Capital expenditure	2,400	30%	Within two (2) years from date of Listing
(b)	Working capital	3,265	41%	Within two (2) years from date of Listing
(c)	Estimated listing expenses	2,343	29%	Within two (2) months from date of Listing
	Total	8,008	100%	

Pending the deployment of the proceeds raised from the Public Issue as mentioned above, the funds will be placed in short-term deposits with licensed financial institutions, used to invest in short-term money market instruments as our Directors may deem appropriate.

(a) Capital Expenditure

RM2.4 million of the gross proceeds amount is proposed to be utilised for capital expenditure. The capital expenditure of our Group includes but not limited to the following:-

- (i) An additional air compressor and dryer system for our plant in Singapore as stand-by as we currently only have one (1) system for an amount of approximately RM150,000. As the air compressor and dryer system is an integral part of the precision cleaning process, an additional system will allow our Singapore operations to minimise downtime in the event our existing system suffers from breakdown or is not usable during maintenance. The additional system will allow our Singapore operations to provide uninterrupted services for our customers in light of their Just-In-Time requirements;
- (ii) Five (5) sets of semi-automated cassette disassembly equipment for an amount of approximately RM300,000 for our plant in Singapore. The purpose of the semi-automated cassette disassembly equipment is to improve productivity by reducing the number of operators. The current manual process can be semi-automated to disassemble cassettes into separate parts for washing at an expected rate of approximately 10,000 cassettes per day;
- (iii) A high capacity cover washing line with a monthly capacity of approximately 4 million covers for an amount of approximately RM960,000, to be fully utilised within four (4) months from the date of Listing, further details of which are set out in Section 11.1(a)(ii) of this Prospectus;
- (iv) CO₂ cleaning machines, with the ancillary CO₂ storage facilities and piping networks, for the cleaning of HDD magnets and MBA for an amount of approximately RM960,000, of which an amount of approximately RM140,000 shall be fully utilised within four (4) months from the date of Listing, further details of which are set out in Section 11.1(a)(iii) of this Prospectus; and

3. PARTICULARS OF THE IPO (Cont'd)

- (v) Other auxiliary plant and equipment such as holding fixtures for HDD components and carriers required for the purpose of commissioning and installing the machines and/or lines described above for an amount of approximately RM30,000.

The proposed capital expenditure described in (ii) to (v) above serves to increase the capacity of our Group in anticipation of additional precision cleaning services required by our customers and investment in new capabilities to complement our existing service offerings in tandem with our future plans and strategies to position ourselves as a one-stop solution provider to our customers in the HDD value chain. Further details of our future plans and strategies are set out in Section 6.16 of this Prospectus.

If the actual capital expenditure as described above is higher than anticipated, the deficit will be funded out of our Group's internally generated funds and/or the portion allocated under working capital. Conversely, if the actual capital expenditure is lower than budgeted, the excess will be utilised for our Group's working capital purposes.

(b) Working Capital

The proceeds earmarked for working capital of approximately RM3.3 million will be utilised to finance our Group's day-to-day operations in support of our Group's operations. These proceeds will be utilised to fund our growth and increase in operational capacity as we expect our operational expenses to increase in tandem with the expected growth in our revenues.

Our general working capital requirements include, but are not limited to, expenses relating to the increasing levels of our operations in both Singapore and the PRC, as indicated by the significant increase of our Group's revenue by approximately 60.13% in FPE 2010 as compared to the corresponding FPE 2009 (Singapore and Malaysia : 45.97%, the PRC : 133.90%). An amount of RM250,000 is allocated to the costs of recruiting new staff, staff-related expenses such as salaries, contributions and training while an amount of RM1,600,000 is allocated to daily operating expenses such as purchases, consumables, logistics, payment to creditors, travelling and others.

In addition to the above, in order to fund the growth of our operations, we will also expect increase in the level of expenditures relating to business development initiatives. An amount of RM1,415,000 is allocated for the aforementioned expenses, whereby RM1,115,000 is allocated for project biddings, performance bonds for customs and/or qualification expenses for new customers and RM300,000 is allocated for A&P related expenses such as promotional, marketing, advertising and recruitment of marketing personnel. With our facilities expansion plan as set out in Section 6.6.4 of this Prospectus, we expect to incur more business development expenditures including qualification expenses, as every new cleaning line introduced in our Group's operations will require qualification prior to being able to take orders from customers. In view of this, expenses would need to be incurred during qualification, such as trial production, operating expenses for the Clean Room and DI water plant with no corresponding revenue generated.

In the case of a shortfall or excess in actual utilisation of either our daily operational working capital requirements or our business development working capital requirements, it will be made up from the other.

3. PARTICULARS OF THE IPO (Cont'd)

(c) Estimated Listing Expenses

The estimated expenses and fees incidental to the Listing of approximately RM2.34 million shall be borne by our Company, details of which are as follows:-

Estimated expenses	RM ('000)
Professional fees	1,580
Fees to authorities	118
Underwriting, placement and brokerage	290
Miscellaneous & contingencies	355
Total	2,343

If the actual listing expenses are higher than anticipated, the deficit will be funded out of the portion allocated for working capital and/or our Group's internally generated funds. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

Save for the proforma financial impact arising from the utilisation of proceeds on our consolidated statement of financial position as set out in Section 15 of this Prospectus, other foreseeable financial impact and benefits from the proceeds of the Public Issue include, *inter alia*, the following:-

- (i) Increase of our Group's revenue and earnings potential, particularly our precision cleaning business, through procurement of vital machines and equipment to cater for higher orders from our customers in tandem with the growth of the HDD industry; and
- (ii) Improve our Group's cash flow and liquidity from the fund-raising via the Public Issue.

In relation to the proceeds raised by our Company as and when the Warrants are exercised and converted by the Warrant holders, such proceeds when raised will be utilised for general working capital requirements, details of which are set out in (b) above.

Net proceeds from the Offer for Sale

The Offer for Sale will raise total net proceeds of RM5,544,890, after deducting related listing expenses of RM201,110 which includes *inter alia*, the registration, placement and transfer fees relating to the Offer for Sale, which will be fully borne by the Offerors. All the net proceeds from the Offer for Sale will accrue to the Offerors and we will not receive any part of the proceeds.

3.11 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSIONS

(a) Brokerage Fee

Brokerage fee relating to the Public Issue Shares (together with the Public Issue Warrants) is payable by us at the rate of one percent (1.0%) of the IPO Price in respect of successful applications, which bear the stamps of KIBB, or the Issuing House, a participating organisation of Bursa Securities, members of the Association of Banks in Malaysia or members of the Malaysian Investment Banking Association.

3. PARTICULARS OF THE IPO (Cont'd)

Brokerage fee for the Offer Shares (together with the Offer Warrants) shall be fully born by the Offerors.

(b) Underwriting Commission

KIBB, as our Underwriter, has agreed to underwrite 6,800,000 of the Public Issue Shares, which will be made available by way of balloting to the public and made available to the business associates of our Group as set out in Section 3.5.1 above. Underwriting commission is payable by us to our Underwriter at the rate of two point five percent (2.5%) of the IPO Price.

(c) Placement Commission and Placement Management Fee

KIBB has arranged for the placement of the Public Issue Shares (together with the Public Issue Warrants) and the Offer Shares (together with the Offer Warrants) at a rate of two percent (2.0%) of the value of the Public Issue Shares / the Offer Shares that have been successfully placed by KIBB based on the IPO Price. A management fee is payable to KIBB, at a rate of zero point five percent (0.5%) of the aggregate value of the IPO Shares under the Private Placement based on the IPO Price.

The placement commission and placement management fee to be incurred for the sale of the Offer Shares (together with the Offer Warrants) will be fully borne by our Offerors.

In addition to the placement commission and placement management fee, in consideration for the Placement Agent's services provided to Jason Yeo, being one of our Offerors, in connection to the management of the 5,600,000 Offer Shares (together with the 2,800,000 Offer Warrants) offered by him pursuant to the Offer for Sale, Jason Yeo shall, after the date of this Prospectus but before the Listing transfer 770,000 Shares and 385,000 Warrants to KIBB as service consideration.

3.12 SALIENT PROVISIONS OF THE UNDERWRITING AGREEMENT

The following are the reproduction of some of the salient clauses extracted from the Underwriting Agreement entered into between us and the Underwriter on 4 April 2011, including escape clauses, which may allow the Underwriter to withdraw from obligations under the Underwriting Agreement after the opening of the IPO. Terms defined in the Underwriting Agreement shall have the same meanings when used here unless they are otherwise defined here as the context otherwise requires.

"Agreement to Underwrite"

- 2.1 *In consideration of the agreement to pay by the Company of the underwriting commission, the Underwriter, hereby relying upon each of the representations, warranties and undertakings by the Company set out in Clause 3 of the Underwriting Agreement, agrees to underwrite an aggregate of 6,800,000 Shares, together with 3,400,000 new Warrants ("Underwritten Shares") upon the terms and conditions contained in the Underwriting Agreement.*
- 2.2 *The Underwriter shall not be responsible for any failure by the Company to meet its obligations hereunder nor shall such failure relieve the Company of its obligations hereunder and nothing in the Underwriting Agreement shall be construed as constituting or evidencing a partnership between the Underwriter and the Company.*

3. PARTICULARS OF THE IPO (Cont'd)

- 2.3 *The obligations of the Underwriter under the Underwriting Agreement are conditional upon:-*
- 2.3.1 *the Underwriting Agreement having been duly executed by all the parties and duly stamped;*
- 2.3.2 *there having been on or prior to the Closing Date, neither any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial or otherwise) of the Company, which is material in the context of the Listing, Public Issue and Offer For Sale from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material, which makes any of the representations and warranties contained in Clause 3 of the Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3 of the Underwriting Agreement;*
- 2.3.3 *the completion of the placement of the Private Placement Shares, via receipt by KIBB of, inter-alia, the relevant offer letters, statutory declarations, form of acknowledgement and/or bank drafts/ cashier's orders from the respective places;*
- 2.3.4 *the delivery to the Underwriter:-*
- 2.3.4.1 *prior to the date of the registration of the Prospectus, a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; and*
- 2.3.4.2 *a certificate, in the form or substantially in the form contained in the **SECOND SCHEDULE** of the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.3.2 of the Underwriting Agreement.*
- 2.3.5 *the Prospectus being in the form and substance satisfactory to the Underwriter;*
- 2.3.6 *the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company and its subsidiaries.*
- 2.3.7 *the Underwriter having been satisfied that the Company has fully undertaken or sufficient arrangements have been made to ensure payment of the expenses referred to in Clause 12 of the Underwriting Agreement;*

3. PARTICULARS OF THE IPO (Cont'd)

- 2.3.8 *the Listing, Public Issue and Offer For Sale not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia after the date of the Underwriting Agreement;*
- 2.3.9 *the Company having complied and that the Listing, Public Issue and Offer For Sale is in compliance with the policies, guidelines and requirements of Bursa Securities and/or the SC and all revisions, amendments and/or supplements thereto;*
- 2.3.10 *the Company having fully complied with all the conditions which are required to be complied with prior to the issuance of the Prospectus or the Closing Date imposed by the SC and Bursa Securities in respect of the Listing, Public Issue and Offer For Sale and the Company's proposed listing on the ACE Market;*
- 2.3.11 *the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the Listing and the lodgement of the Prospectus with the CCM on or before its release;*
- 2.3.12 *Bursa Securities has agreed and approved in principle on or prior to the Closing Date to the admission to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued and paid-up share capital and Warrants of the Company on the ACE Market and the SC (as the case may be) having approved the Prospectus and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriter on or prior to the Closing Date being reasonably satisfied and such approval not being withdrawn, revoked, suspended, terminated or lapsed and that such listing and quotation shall be granted two (2) clear Market Days after the submission to Bursa Securities of the relevant documents including the receipt of confirmation from the Bursa Depository confirming that the CDS Accounts of all successful applicants have been duly credited and the Issuing House has confirmed that the notices of allotment have been despatched to entitled holders;*
- 2.3.13 *the Prospectus having been issued within three (3) months of the date hereof or within such extended period as may be determined by the Underwriter;*
- 2.3.14 *the issue of the Public Issue Shares having been approved by Bursa Securities, SC and any other relevant authorities and the shareholders of the Company in a general meeting and such authorisation has not been withdrawn, revoked, suspended, terminated or lapsed; and*
- 2.3.15 *all necessary approvals and authorisations required in relation to the Public Issue Shares (apart from those already set out above) including but not limited to governmental approvals having been obtained and are in full force and effect.*

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3. PARTICULARS OF THE IPO (Cont'd)

- 2.4 *If any of the conditions set out in Clause 2.3 of the Underwriting Agreement are not satisfied by the Closing Date, the Underwriter shall thereupon be entitled to terminate the Underwriting Agreement and in that event, except for the liability of the Company for the payment of costs and expenses as provided in Clause 12 of the Underwriting Agreement incurred prior to the termination and any claims pursuant to Clause 3.3.1 of the Underwriting Agreement, there shall be no further claims by the Underwriter against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may at its discretion with respect to its obligations waive compliance with any of the provisions of Clause 2.3 of the Underwriting Agreement.*

"Termination / Lapse of the Underwriting Agreement"

- 8.1 *Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:-*
- 8.1.1 *there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriter within such number of days as stipulated by the Underwriter to the Company in writing or as stipulated in the notice informing the Company of such breach or by the Closing Date, whichever is earlier; or*
- 8.1.2 *there is withholding of information which is required to be disclosed "by" or "to" the Underwriter, which is required to be disclosed pursuant to the Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated by the Underwriter to the Company in writing or as stipulated in the notice informing the Company of such breach, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company, the success of the Listing, or the distribution or sale of the Public Issue Shares; or*
- 8.1.3 *there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company; or*
- 8.1.4 *there shall have occurred, happened or come into effect any of the following circumstances which has an adverse effect on the condition or financial position of the Company:-*
- (a) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
- (b) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

3. PARTICULARS OF THE IPO (Cont'd)

which, (in the reasonable opinion of the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company, the success of the Listing, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

- 8.1.5 *there is failure on the part of the Company to perform any of its obligations herein contained which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriter within such number of days as stipulated by the Underwriter to the Company or as stipulated in the notice informing the Company of such breach or by the Closing Date, whichever is earlier; or*
- 8.1.6 *any of the conditions precedent set out in Clause 2.3 of the Underwriting Agreement are not duly satisfied by the Closing Date.*
- 8.2 *In the event of termination pursuant to Clause 8(1) of the Underwriting Agreement, the respective Parties hereto shall, save and except for any antecedent breach, be released and discharged from their obligations hereunder whereupon the Underwriting Agreement shall be of no further force or effect subject to the following:-*
- 8.2.1 *the liability of the Company for the payment of costs and expenses as provided in Clause 12 of the Underwriting Agreement incurred prior to or in connection with such termination shall remain;*
- 8.2.2 *the liability of the Company for the payment of the Underwriting Commission as provided in Clause 6 of the Underwriting Agreement shall remain;*
- 8.2.3 *subject thereto, the Company shall return any moneys paid without interest thereon to the Underwriter within three (3) Market Days of the receipt of such notice of termination from the Underwriter;*

Provided that the Underwriter may at its discretion waive compliance with or modify any of the provisions of the Clause in the Underwriting Agreement without prejudice to its powers, rights and remedies under the Underwriting Agreement.

- 8.3 *In the event that the Underwriting Agreement is terminated pursuant to Clause 8.1.4 of the Underwriting Agreement, the Underwriter and the Company may confer with a view to defer the Listing, Public Issue and Offer For Sale by amending its terms or the terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.*

"Force Majeure"

- 8A.1 *Notwithstanding anything herein contained, it will be an event of force majeure if one of the following occurs:-*
- 8A.1.1 *any material change in any law, regulation, directive, policy or ruling in any jurisdiction which seriously and adversely affects or will seriously and adversely affect the business of the Company;*

3. PARTICULARS OF THE IPO (Cont'd)

- 8A.1.2 *any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia or overseas) or currency exchange rates or an occurrence as a result of an act or acts of God or in the event of national disorder, armed conflict or serious threat of the same, hostilities, embargo, severe economic dislocation, natural catastrophe, earthquake, typhoon, outbreak of war, outbreak of disease or the declaration of a state of national emergency which seriously and adversely affects (1) the business of the Company or (2) the success of the Listing and Public Issue;*
- 8A.1.3 *the Kuala Lumpur Composite Index falling below 1,200 points and remaining below 1,200 points for three (3) consecutive Market Days;*
- 8A.1.4 *the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for 3 consecutive Market Days.*
- 8A.2 *In the event of a force majeure pursuant to Clause 8A.1 of the Underwriting Agreement, the Underwriter may, subject to prior consultation with the Company, at any time prior to or on the Closing Date:-*
- 8A.2.1 *terminate the Underwriting Agreement by giving notice to the Company in the manner as set out in Clause 13 of the Underwriting Agreement; or*
- 8A.2.2 *request for the Closing Date to be extended to such reasonable date as the Underwriter and the Company may jointly decide.*
- 8A.3 *Upon delivery of the notice of termination pursuant to Clause 8A.2.1 of the Underwriting Agreement and in the manner as set out in Clause 13 of the Underwriting Agreement, the Underwriting Agreement will terminate whereafter each Party's rights and obligations will cease and none of the Parties will have any claim against each other save and except such claims in respect of the costs and expenses of the Underwriter and Underwriting Commission as set out in Clause 12 of the Underwriting Agreement.*
- 8A.4 *The delivery of a request under Clause 8A.2.2 of the Underwriting Agreement shall not preclude the Underwriter from giving any further request(s) for extension pursuant to Clause 8A.2.2 of the Underwriting Agreement or giving a notice to terminate pursuant to Clause 8A.2.1 of the Underwriting Agreement.*

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4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) AND RANKED IN ORDER OF PRIORITY BASED ON OUR EVALUATION, THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THE PROSPECTUS, BEFORE INVESTING IN US.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

Our Group is principally involved in the provision of precision cleaning and washing solutions for components of HDD, media cassettes and trays. Our Group also carries out precision plastic injection moulding for components of HDD (for example filters), media cassettes and trays, amongst others. As such, our Group is subject to certain business risks inherent in the precision cleaning industry and to a certain extent, the HDD industry. These may include changes in market trends, general economic conditions such as, but not limited to, inflation, interest rates and foreign exchange rates.

Although we seek to limit risks relating to our business and specific risks relating to our industry by maintaining prudent management and good working relationships with our customers and other suppliers, some of these risks are outside of our control and the control of our Directors and Key Management. As such, no assurance can be given that any changes to these inherent factors will not have a material adverse effect on our business.

4.1 BUSINESS AND INDUSTRY RISKS

(a) Dependency on our major customers

As set out in Section 6.8.1 of this Prospectus, a significant proportion of our Group's revenue is derived from the provision of support services to the HDD industry, particularly to our two (2) major customers, Seagate⁽¹⁾ and Donaldson at 42.0% and 11.2% respectively, of our consolidated revenue for the FYE 2009 and 34.2% and 9.1% respectively, of our consolidated revenue for the FPE 2010. Specifically, in terms of revenue contribution, Seagate contributes to our Group's revenue via direct sales as well as indirect sales through our customers for example, Donaldson, who are also vendors for Seagate. Other suppliers involved in the HDD value chain outsource their precision cleaning requirements to our Group so as to streamline their operations and optimise their resources when supplying to HDD manufacturers. The volume of products to be precision cleaned for these component suppliers is dependent on the demand for components from such HDD manufacturers.

¹ *Comprising Seagate Technology International and Seagate International Johor (M) Sdn Bhd.*

4. RISK FACTORS (Cont'd)

As the transactions with our customers are generally entered into on an open PO basis, as opposed to a long term contractual agreement, our major customers can make substantial demands on us, including demands on service pricing and on contractual terms via specific POs issued to us, which may result in the allocation of additional risk to us as their service provider. We compete with other companies to supply services to our major customers and our ability to maintain a strategic relationship with our major customers is essential to our future performance. If we were to lose our major customers, or if our major customers should significantly reduce their orders for our services, or require us to reduce our prices before we are able to reduce our cost, or if our major customers were to suffer financial hardship, our operating results would be materially and adversely affected as our level of orders would also be affected. For example, as a result of industry consolidation, two of our major customers which collectively accounted for 22.9% of our consolidated revenue in FYE 2007 ceased to be our customers from FYE 2009 onwards, further details of which are set out in Section 6.8.1 of this Prospectus. In addition, if our major customers require us to reduce our prices, this could also result in a decrease in our revenue and our gross margins, which would have a material adverse effect on our results of operations and financial condition.

Further to the above, any disruptions of our major customers' operations, including production delays due to delayed delivery of HDD mechanical components or supplies by its other suppliers, it would also have a corresponding effect on our operations. Further, our customers operate in an industry that experiences frequent volatility due to changes in the demand and supply of HDD, as illustrated by the fluctuation in the historical HDD shipment growth rate ranging from -4.4% to 24.4% per annum during the four (4)-year period from 2005 to 2009. If our major customers were to suffer financial difficulties, whether as a result of downturns in the markets in which they operate or otherwise, this could result in a reduction of their orders for our services that may have a material adverse effect on our financial condition or performance, as evident in our loss after tax of approximately RM2.18 million for the FYE 2008 as a result of the economic downturn.

Our Key Management is aware of our Group's dependency on our major customers and is constantly searching for new customers to mitigate this risk. We have increased our customer base comprising 10 customers to 53 customers during a six-year period from 2004 to 2010. While we are traditionally focused on the precision cleaning of HDD media, cassette, tray and components such as cover, filter, housing, spacers and disk separators, we plan to expand our precision cleaning capabilities to cater to other component vendors in the HDD industry value chain such as the magnets in the Voice Coil Motor Permanent-Magnet Assembly as well as MBA so as to diversify and expand our service offerings. Furthermore, we have also successfully diversified our precision cleaning business to include providing cleaning solutions for wafer fabrication companies such as STMicroelectronics.

Taking into account the abovementioned, we believe that our efforts in widening our revenue base will mitigate to a certain extent our dependency on our major customers.

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4. RISK FACTORS (Cont'd)

(b) Dependency on the HDD industry which is subject to fluctuating end-user demand of HDDs

Our services are provided primarily to the HDD industry and our production is based on quarterly production forecasts provided in advance by our customers, and subsequently confirmed to us through POs issued by our customers on a periodic basis, usually every quarter. As a precision cleaning service provider to the HDD industry, our financial and operational results are closely linked to the growth and performance of the HDD industry. If the actual growth of the HDD industry does not occur at the rate we expect or at a rate consistent with those prevalent over the past years, our business growth may be affected. Demand for HDDs depends on the demand for systems supplied by manufacturers (including OEMs) and on storage upgrades to existing systems. Demand for precision cleaning services is correspondingly affected. The demand for systems has been volatile in the past and may fluctuate depending on general economic conditions. For example, with macroeconomic conditions deteriorating rapidly in the second half of 2008, the HDD industry was hit hard in the last quarter of 2008, with a decline in unit shipments in what is traditionally the strongest quarter of the year. Consequently, our consolidated revenue decreased by approximately 19% from approximately RM14.2 million in the first half of 2008 to approximately RM11.5 million in the second half of 2008. As a result, the HDD market may experience periods of excess capacity, which can lead to liquidation of excess inventories and intense price competition. A decline in the HDD industry would have a material adverse affect on our financial condition and operational results.

In addition, if our customers were to lower the prices for their products and/or from the results of any HDD price erosion due to supply-demand imbalances, this could in turn force us to reduce the prices for our services. If a reduction in price is not offset by larger volume orders or a corresponding reduction in our cost structure, this could result in lower revenue and gross margins for us, which would have a material adverse affect on our operating results.

(c) Dependency on the accuracy of HDD market demand and consumer requirements

The HDD industry faces difficulties in accurately forecasting market and customer demand for its products. The variety and volume of services that we supply is based in part on these forecasts, which are made by our customer and provided to us on quarterly basis for guidance, and confirmed (with adjustments) in our customers' POs, subsequently. The quantities set forth in our customers' POs which are issued usually on quarterly basis are also subject to further adjustments on a monthly basis. If these forecasts exceed actual market demand or, if market demand decreases unexpectedly, then the HDD industry could experience periods of product oversupply and price decreases, which would have a corresponding effect on us, and which may have a material adverse effect on our financial performance. If our customer's forecasts do not meet actual market demand, or if market demand increases unexpectedly beyond our customers' forecasts, then we may not be able to satisfy our customers' increased requirements in a timely manner, which may result in a loss of market share if our customers are able to source for their requirements from alternative service providers.

4. RISK FACTORS (Cont'd)

We also rely, in part, on our customers' quarterly forecasts in making decisions regarding investments in our resources. In addition, although we receive quarterly advance forecasts from our customers, they are not obligated to procure precision cleaning based on these forecasted quantities, but only those amounts set forth in their POs. As with most HDD manufacturers or vendors, our customers use Just-In-Time inventory management processes, which enable them to maintain low inventory levels and require them to work closely with their vendors to ensure timely delivery of supplies.

As we rely in part on these forecasts in managing our precision cleaning capacities, we may have inadequate or excess capacities as compared with our customers' actual requirements, which could have a material adverse effect on our operating results and financial condition.

Notwithstanding the abovementioned, our Key Management also procures alternative sources of information regarding market demand and consumer requirements including industry market research analysis as well as industry intelligence via their contacts and network to obtain better insights into the market outlook. Furthermore, adjustments to the POs as mentioned above also provides an indication on the achievability of quarterly forecasts, where our Key Management will also adjust our capacities accordingly, through the mobilisation of contract workers and/or overtime weekend operations (where needed), so as to avoid any inadequate or excess capacities. However, such adjustments need to be identified early and implemented on a timely manner in order to be effective.

(d) Dependency on precision cleaning machines and equipment and their suppliers

Due to the specialised nature of the precision cleaning machines and equipment, the supply of such machines and equipment is limited to only a few suppliers such as JCS-Echigo Pte Ltd ("JCS-Echigo"), JCS Automation Pte Ltd ("JCS Auto") (collectively the "JCS Group") (from Singapore), Crest Ultrasonic Corporation (from the USA) and Branson Ultrasonics Corporation (from the USA). Currently, all our precision cleaning machines and equipment are supplied by the JCS Group which is related to our Executive Chairman, Promoter and Substantial Shareholder, Jason Yeo by virtue of his direct interests in the JCS Group. Going forward, there is no assurance that we will be able to continually acquire additional precision cleaning machines and equipment from the JCS Group to meet increased demand in capacity.

The abovementioned risk is mitigated to a certain extent by the availability of alternative machine and equipment suppliers as mentioned above which are able to supply similar industrial precision cleaning machines and equipment for our operations. Notwithstanding the above, a change in machinery and equipment supplier may necessitate a change to the precision cleaning line design and less timely maintenance support service by such new suppliers as compared to the JCS Group which is based in Singapore. Changes to the precision cleaning line design may result in delays in the commissioning of new lines, new customer qualifications and re-familiarising the operations of the new line in order to achieve desired results.

4. RISK FACTORS (Cont'd)

(e) Fluctuation in our gross profit margins

The historical gross profit margin of our Group on the basis that our Group had been in place during the Financial Years / Period Under Review are set out as follows:-

	FYE			FPE	
	2007 RM	2008 RM	2009 RM	2009 ⁽¹⁾ RM	2010 RM
Gross profit margin (%)	35.84	21.75	35.53	21.63	46.23

Notes:-

(1) Stated for comparison purpose only based on the unaudited accounts of the proforma MClean Group.

As indicated above, our gross profit margin has fluctuated during the Financial Years / Period Under Review. Specifically, our gross profit margin declined during FYE 2008 compared to FYE 2007 due to being adversely affected by the economic downturn in 2008, which increasingly improved over the FYE 2009 and FPE 2010 in line with the increasing demand from our customers following the recovery of the industry in the second (2nd) half of 2009. Furthermore, our gross profit margin is also driven to a large extent by the nature of the orders from our customers. For example, the margin for precision cleaning of HDD components is generally higher as compared to the margin for precision cleaning of HDD media cassettes. Please refer to Sections 13.1 and 13.3 of this Prospectus for further discussions and commentaries on our gross profit margins during the Financial Years / Period Under Review.

There is no assurance that we will be able to consistently maintain our gross profit margin going forward, as we have no control over external factors such as the impact of any adverse general economic environment and/or the type of products provided by our customers for precision cleaning. Notwithstanding this, in order to mitigate this risk, our Key Management has implemented initiatives in an attempt to further improve our production efficiency and introduce value added services that are of higher profit margin such as Clean Room assembly services, further details of which are set out in Section 13.1 of this Prospectus. These initiatives have started to bear fruit due to the increasing nature of gross profit margin of our Group in FPE 2010 of approximately 46.23% as compared to the previous corresponding ten (10)-month FPE 2009 of 21.63% and the FYE 2009 of 35.53%.

(f) Competition from the parallel entry to market by the PRC domestic players

According to the IMR Report, the PRC has over 120,000 machinery enterprises and research institutions which employ at least 20 million labour forces. The region holds a large pool of precision manufacturers with in-house capabilities to conduct precision cleaning for clean room specifications. For these manufacturers it is easy to diversify into the precision cleaning business as they already have the machineries and technical know-how. These entities are less affected by the barriers to entry as they would have already achieved returns on capital investment.

As such, there is no assurance that competition from the local PRC manufacturers will not intensify to the extent which could adversely affect the revenue and profitability of our Group's PRC operations.

4. RISK FACTORS (Cont'd)

While the barriers of entry to these potential competitors are lower due to their available in-house capabilities, we believe that the long gestation period (of the qualification process) that the potential competitors have to go through, coupled with the large economies of scale required to justify the cost of investment will discourage such potential competitors from diversifying from their core operations to venture into the precision cleaning industry. Furthermore, this competition risk is also mitigated to a certain extent due to Techsin Wuxi being one of the pioneers in the precision cleaning market in the PRC, whereby the customers are less likely to switch suppliers due to the need to re-perform the tedious qualification process.

(g) Our operating results depend on optimising overall quality and costs of new and established services

Several key attributes are important to our business, including quality, cost, service and price. If we fail to:-

- Maintain overall quality of our services in terms of meeting the cleanliness as stipulated by our customers;
- Meet the delivery schedules as required by our customers;
- Maintain competitive cost structures, in terms of cost per unit of object cleaned, taking into account the cost of production inputs, such as labour, electricity, DI water, etc. for our services;
- Develop and qualify the precision cleaning system for specific objects; and
- Meet the requirements of our customers on their continuous QA / QC audit in order to maintain our qualification to render services;

our operating results could be adversely affected due to loss of orders.

We have consistently been able to meet the delivery schedules as required by our customers. As part of the requirements set out by our customers, our facilities are also subject to periodic audits conducted by our customers as well as the audit required under ISO standards. These audits are governed by stringent specifications with regards to amongst others, adherence to process flow and Clean Room standards. Historically, our facilities have passed these periodic audits consistently without any major adverse findings.

(h) We are exposed to the risk of non-renewal and revocation of permits and business licences

As a pre-requisite for carrying on our operations in Singapore and the PRC, we are required to obtain certain permits and business licences from various governmental authorities such as Ministry of Trade and Industry, Energy Market Authority of Singapore, Public Utilities Board of Singapore, Wuxi New Area Water Pollutant Administration of the PRC, etc. Details of these permits and business licences are set out in Section 6.11 of this Prospectus.

4. RISK FACTORS (Cont'd)

As at the date of this Prospectus, we have obtained all the necessary permits and business licences for our specific business operations. Some of these permits and business licences are subject to periodic renewals and the renewal process involves fulfilment of conditions imposed by the relevant governmental authorities.

The standards of compliance required in relation to these permits and business licences may from time to time be subject to changes. In the case of conditions imposed that are within our ability to comply, we may incur additional and unexpected expenses to facilitate continued compliance.

However, in the case of conditions imposed that are not within our ability to comply or revocation or non-renewal of permits and business licences resulting from government regulation or policy, the revocation or non-renewal of such permits and business licences will have a material adverse effect on our operations. We will not be able to carry on our operations and hence our business if such permits and business licences are revoked or not renewed. In such an event, our business and financial performance will be adversely affected.

Nevertheless, since we commenced operations, we have been diligently seeking and passing our annual inspections and do not foresee any issues in continuing to pass our annual inspections going forward so long as we continue to operate within the parameters of our permits, approvals and licenses and under the laws of Singapore and the PRC as well as the requirements of their relevant authorities.

(i) **Risk of termination or non-renewal of leased properties occupied by our Group**

As stated in Section 6.6.1 of this Prospectus, our Group does not own any properties or real estate. All the landed properties occupied in both Singapore and the PRC by our Group are leased. As such, there is no assurance that the landlord will not terminate the leases prematurely prior to the expiry of the lease, or upon expiry of the lease the landlord will agree to renew the leases. In the event that such leases are terminated or not renewed, we will need to relocate our facilities which could potentially have an adverse impact and/or disruption on our operations.

Notwithstanding the above, during the tenure of the lease term, the risk of termination by the landlord is mitigated to a certain extent as tenants are accorded certain legal protections under the Conveyancing and Law of Property Act ("CLPA") of Singapore and the PRC Contract Law.

Specifically, under Section 11 of the CLPA, it is provided that even if a landlord has sold or transferred his interest in the freehold or the remainder of whatever rights he may have in the property, the buyer or successor-in-title shall be bound to observe the terms of the lease granted to the tenant. Sections 18 and 18A of the CLPA also prescribes the procedure for forfeiture of tenancies, where a notice has to be given, requiring remedy of the breach if the breach is in fact remediable. In addition, a tenant also has remedies, including specific performance and damages under the common law (in Singapore) if the landlord were to breach its undertakings or obligations under the lease agreement.

For the PRC, according to PRC Contract Law, during the tenure of the lease, even the leased property is transferred to a third party, the leasing right of the tenant shall not be affected. Furthermore, the tenant is entitled to the pre-emptive right to purchase the leased property under conditions not less favorable than that offered by any third party, who intends to buy the leased property.

4. RISK FACTORS (Cont'd)

(j) Dependency on Key Management

The success of our business is attributable to the continued contributions of our Key Management. Our Key Management have brought to our Group their technical know-how and experience in the business and had established our Group's industry reputation. As set out in Section 9.4.2 of the Prospectus, most of our Key Management have been involved in our Group for at least 3 years. While we have not in the past lost any of our Key Management, should there be a loss of any one of our Key Management in the future, our Group's business and operations could be adversely affected. With the HDD industry being competitive for skilled workers, replacing a Key Management with another employee of equal calibre and experience in a timely manner would involve additional time, effort and resources.

In view of the highly specialised skills requisite for the effective management of our business, we have identified one (1) manager from each of our Singapore and the PRC operations to be provided with management training as part of succession planning for our factory management. Furthermore, we also intend to recruit a sales vice president to be trained as part of succession planning for our sales and marketing function. Our Board's intention is to ensure continuity of our business and operations in the event that any of our Key Management exits our Group in the future.

(k) Ineffective management of our anticipated growth and expansion of our operations

We have recently experienced a period of growth, which has placed, and will continue to place, significant demands on our Key Management, as well as our operational, engineering and financial resources. There is a risk that the need to clean increasing volumes of objects in order to meet large orders may affect our ability to deliver precision cleaned objects on time. In particular, from time to time, our ability to deliver cleaned objects on time is affected by the short lead time or unscheduled sudden increase in volume of objects to be cleaned as requested by our customers. If our customers increase their orders with us, we may not be able to satisfy their requirements. In such circumstances, our customers may decide to procure such services from alternative service providers.

Our ability to effectively manage growth and expansion will also require us to continue to implement and improve our operational, financial and management information systems, and design and develop processes to train and manage our employees and to continue to develop, maintain and expand our supplier and customer relationships. As part of our expansion plans, our new facilities in Wuxi (the PRC) have commenced operations in November 2010. However, our ability to fully utilise the additional capacity provided by the new facility is constrained by our ability to hire the requisite number of employees and workers, further details of which are set out in Section 4(m) of this Prospectus. Any failure to manage our growth and the expansion of our operations effectively could have a material adverse effect on our business operations and hence, our financial condition.

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4. RISK FACTORS (Cont'd)

(l) Changes in the markets for HDDs require us to develop new technology

The HDD industry is driven by innovation and changes from time to time with the introduction of new products and new technology. For example, some new multimedia devices, such as personal video recorders and digital video recorders, incorporate one or more HDDs, and may require precision cleaning services for products which our Group has never provided for. In such an event, there will be a need to customise new washing solutions and processes, such as the use of CO₂ as the cleaning agent as opposed to DI water for certain MBA parts, or even acquire new machines and equipment to support such new cleaning processes. If we are not successful in using our existing technology and expertise in developing and customising new washing methods in response to our customers' new product offerings for the emerging CE market or if we are unable to invest to develop such new washing methods, it may have a material adverse effect on our operating results and financial condition.

While we continue to develop new washing methods, the success of our Group is dependent on a number of factors, including limitation of technology based on existing technology available in the market, requirements of our customers, effective management of inventory levels in line with anticipated product demand and risk that our washed products may have quality problems or other defects in the early stages of introduction that were not anticipated in the design of those products. If we fail to successfully develop new washing methods that meet our customers' specifications, our customers may decrease orders or we may even lose business to our competitors who can offer these new services. Notwithstanding that, we have consistently been able to meet the cleaning requirements from our customers in the past.

Our relationship with the JCS Group provides us with an added advantage over our competitors that enables us to stay at the forefront of any technological developments and/or innovation relating to precision cleaning.

(m) Reliance on manpower

As at Latest Practicable Date, we have a total workforce of 201 employees (including sub-contract workers), comprising 112 employees in the Magnetronics Group and 89 employees in the Techsin Group. Certain parts of our precision cleaning process such as visual inspection, de-labelling and packaging are relatively low skilled but labour intensive in nature. As such, we generally hire short-term contractual labours for such production process so as to manage our cost of production efficiently. Currently, we have a total of 24 sub-contract workers in the Magnetronics Group and 27 sub-contractor workers in the Techsin Group.

As such, there is no assurance that there will continue to be an adequate supply of such labour for our production process, especially in Singapore. Our production process could be adversely affected in the event of a labour shortage or inefficient human resource planning.

The abovementioned risk is mitigated to a certain extent by initiatives undertaken to streamline our production process, such as the increase of automation and improvisation of the design of the precision cleaning line, so as to optimise the use of manual labour and achieve higher efficiency per worker. In some of the production processes, efficiency per worker can be improved by up to 50%.

4. RISK FACTORS (Cont'd)

(n) Reliance on utility supply

Our precision cleaning operations is reliant on the availability of a stable and consistent supply of utilities, particularly water and electricity in operating the precision cleaning machines, Clean Rooms and the DI water plants. Being a supporting industry for a high volume production industry, any down-time may result in consequential losses. As such, there is no assurance that our operations both in Singapore and the PRC will not be affected by any disruption in utility supply which could result in material consequential losses as a result of down-time.

Notwithstanding the abovementioned, we have not in the past encountered any significant disruption in utility supply that resulted in an interruption or disruption in the operational continuity of our Group. Specifically, we have not experienced any interruption in utility supply at our Singapore facilities in the past. As for our PRC facilities, we have only experienced incidences of brownout (*meaning a reduction or cutback in electric power, especially as a result of a shortage, a mechanical failure, or overuse by consumers*) on average twice a year, which lasted only for several minutes which had resulted in no major disruption to operations. Furthermore, our facilities in the PRC are located in Wuxi industrial park, which is a distinctive high technology industrial park where many MNCs with large scale manufacturing operations are located.

In the unlikely and remote event of any major disruption in utility supply for a prolonged period, upon the resumption of such utility supply, we expect the restoration of the production line to take no more than three (3) hours, taking into account the time required to purge the Clean Room and the DI water supply before resuming production.

(o) Changes to the income tax incentives enjoyed by our PRC subsidiary will have a negative impact on our net profit

Pursuant to the PRC Enterprise Income Tax Law promulgated by the National People's Congress of the PRC ("NPC") on 16 March 2007, with effect from 1 January 2008, foreign investment enterprises are required to pay an income tax at a rate of 25% of their taxable income. In accordance with the Applicable Foreign Enterprises Tax Law (企业所得税法) of the PRC, Techsin Wuxi, our indirect wholly-owned subsidiary which was established as a WFOE in the PRC, shall be exempted from national income tax for the first two profit-making years and a 50% reduction in the national income tax payable for the next three years ("Two-year Exemption and Three-year 50% Reduction"). Since Techsin Wuxi has not made any profit before 1 January 2008, Techsin Wuxi is therefore exempted from the Enterprise Income Tax in FYE 2008 and FYE 2009 and will be subject to the Enterprise Income Tax at a preferential rate of 12.5% in FYE 2010, FYE 2011 and FYE 2012. From FYE 2012 onwards, Techsin Wuxi shall be subject to the full taxation at 25.0%.

We have no assurances that the PRC government will continue to provide such tax incentives. In the event of any change in government policy regarding tax incentives which may result in a variation and/or a withdrawal or revocation of our company's tax incentive, such variation or withdrawal or revocation may have a negative impact on our future financial performance.

4. RISK FACTORS (Cont'd)

(p) **Fluctuation in foreign exchange**

Our Group is exposed to foreign currency risk as our sales and purchases are denominated in SGD, USD and RMB due to our operations in Singapore and the PRC and that our customers consists of MNCs. Any future significant fluctuation in exchange rates may have a material impact on our Group's financial performance.

Our Key Management constantly monitors our Group's foreign currency exposure and reviews our Group's hedging needs. We manage our exposure to fluctuations in foreign currency rates by entering into foreign exchange forward contracts, and also match, as far as possible, receipts and payments in each individual currency in particular for the purchases of raw materials for our precision plastic injection moulding operations and the consumables related to our precision cleaning operations.

(q) **The outbreak or threatened outbreak of any severe communicable disease in Singapore and the PRC could, if uncontrolled, affect our business and financial performance**

The outbreak, or threatened outbreak, of any severe communicable disease such as Severe Acute Respiratory Syndrome ("SARS") and avian influenza, commonly known as bird flu and influenza A(H1N1) could materially and adversely affect overall business sentiments and the economic environment in Singapore and the PRC. This, in turn, could materially and adversely affect domestic consumption, labour supply and possibly the overall economic growth of Singapore and the PRC. Our Group's revenue is currently derived entirely from our Singapore and PRC operations and any labour shortage or slowdown in the domestic consumer market in Singapore and the PRC resulting from such outbreaks could materially and adversely affect our business and financial performance.

In addition, if any of our employees or the employees of our suppliers is affected by any severe communicable disease or if our employees or the employees of our suppliers are required to be kept under quarantine on a large scale, our day-to-day operations may be adversely affected and this could in turn adversely affect our deliverable times and hence, our financial performance ultimately.

Notwithstanding the abovementioned, we have in the past, upon request by our customers, put in place a crisis prevention measures within the stipulated timeline after the A(H1N1) outbreak, which demonstrated our ability to react promptly to such unforeseen external crisis.

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4. RISK FACTORS (Cont'd)

4.2 RISKS RELATING TO OPERATIONS IN A FOREIGN JURISDICTION

(a) **Economic, political and legal developments in the PRC and Singapore**

Our subsidiary, Techsin Wuxi, is incorporated in the PRC, and has its manufacturing operations in the PRC. It is accordingly subject to various risks in the PRC, including risks resulting from economic, political and legal developments to operate a subsidiary company in the PRC.

The economy of the PRC has historically been a planned economy subject to a series of economic plans adopted by the state. The PRC government has implemented economic reforms resulting in significant economic progress and social advancement over the past 30 years. Since 1978, the PRC government has been reforming and is expected to continue to reform the rules and regulations governing its economic and political systems. However, many of these reforms are unprecedented or experimental and may be subject to change or reversal. While the current policy of the PRC government seems to be one of pursuing economic reforms to encourage investments and greater economic de-centralisation, there is no assurance that such a policy will continue to prevail in future.

The PRC legal system embodies uncertainties which could limit the legal protections available to you and us. Techsin Wuxi is a WFOE, which is an enterprise incorporated in the mainland of the PRC and wholly-owned by foreign investors, and is subject to laws and regulations applicable to foreign investment in the mainland of the PRC, in general and laws and regulations applicable to WFOEs, in particular. These laws, regulations and legal requirements are constantly changing, and their interpretation is often not available to us and other foreign investors, including you. In addition, we cannot predict the effect of future developments in the PRC legal system including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

There can be no assurance that any new laws enacted, or any changes to the existing laws or the interpretation or enforcement of such laws will not materially or adversely affect our business or operations.

On the other hand, we are of the belief that there are no material risks relating to the economic, political and legal developments in Singapore which could adversely affect our Singapore operations.

The Singapore legal system is based on British common law and the Singapore judiciary is made up of the Supreme Court and the Subordinate Courts. The Supreme Court hears both civil and criminal matters and comprises the Court of Appeal and the High Court. The Subordinate Courts consist of the District Courts, Magistrates' Courts, Juvenile Court, the Family Court, the Coroners' Court, the Syariah Court and the Small Claims Tribunal.

The most important lower courts in Singapore are the District Courts and the Magistrates' Courts. They have original jurisdiction in both civil and criminal matters. Their jurisdiction and powers are set out in the Subordinate Courts Act (Cap. 321) and the Criminal Procedure Code (Cap. 68).

Under Singapore law, a successful claimant who has obtained a judgement or order from the Singapore courts may enforce such judgement or order by: (1) serving a writ of seizure and sale, (2) commencing garnishee proceedings and/or (3) commencing winding up/bankruptcy proceedings against the other party.

4. RISK FACTORS (Cont'd)

Under Singapore law, foreign court judgments may be enforced in 2 ways. The first is by registration under the Reciprocal Enforcement of Commonwealth Judgments Act (Cap 264) or the Reciprocal Enforcement of Foreign Judgments Act (Cap 265). The second is by suing on the judgment at common law.

Further details regarding the overall legal system in Singapore are set out in Section 7.1 of this Prospectus.

(b) We may be adversely affected by changes and uncertainties in the PRC legal system

Our business and operations in the PRC and the business and operations of our customers and suppliers in the PRC are subject to the laws and regulations promulgated by the PRC government.

The PRC legal system is a codified legal system made up of the PRC constitution, written laws, regulations, circulars, administrative directives, other government orders, and internal guidelines.

As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws, rules and regulations will apply to certain events or circumstances.

The PRC government is still in the process of developing its legal system, to meet the needs of investors and to encourage foreign investment. The introduction of new laws, rules and regulations, changes to existing laws, rules and regulations and the interpretation or application thereof may have a material adverse effect on our business, financial condition, results of operations and prospects.

Unlike common law jurisdictions like Singapore and Malaysia, decided cases do not form part of the legal structure of the PRC and have no binding effect on how future cases are decided. This means that the outcome of dispute resolutions within the PRC may not be consistent from case to case or predictable as may be the case in other jurisdictions. As a result, it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or obtain enforcement of judgment by a court of another jurisdiction.

In the event that we fail to obtain judgment or are unable to enforce judgments, we may not be able to recover the judgment debt, which we would have otherwise been entitled to. Accordingly, our business and financial performance may be affected.

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4. RISK FACTORS (Cont'd)

(c) Changes and uncertainties relating to permits, licences and approvals

From time to time, there may be changes in law and regulation or the implementation thereof which may require us to obtain additional permits, licences and approvals from regulatory authorities for the conduct of our business and our operations in Singapore and the PRC. In such event, we may have to incur additional expenses and/or restructure in order to comply with such requirements. These additional expenses and/or new compliance requirements increase business costs and may in turn affect our financial performance. Further, there can be no assurance that such approvals or licenses will be granted to us promptly or at all and as a result, our business, financial condition, results of operations and prospects to be materially and adversely affected by such events or requirements.

(d) Our results of operations and financial condition may be adversely affected by the changes in the PRC foreign exchange controls

Our PRC subsidiary, Techsin Wuxi, which is a foreign investment enterprise ("FIE") is subject to the rules and regulations imposed by the PRC government on currency conversion. In the PRC, the conversion of RMB into foreign currencies is regulated by the State Administration of Foreign Exchange ("SAFE").

In accordance with the new Foreign Exchange Administration Regulations of PRC promulgated on 5 August 2008, the RMB exchange rate regime is a managed floating exchange rate regime based on market supply and demand. All domestic entities and individuals, including FIEs, may remit their foreign exchange income to the PRC or retain their foreign exchange income outside the PRC. Foreign exchange earnings under current account may be retained or be sold to designated financial institutions. Before retaining the foreign exchange income under capital account or selling it to any designated financial institution, the approval of the competent SAFE branch shall be obtained, unless it is otherwise provided by the state.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE.

Despite the relaxation of foreign exchange control over current account transaction, the approval or registration procedure at SAFE (or its designated authorities) is still required for a PRC enterprise before it can borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange. As at the Latest Practicable Date, Techsin Wuxi has been approved by and registered with the SAFE in compliance with the foreign exchange control PRC laws and regulations.

Although we do not presently anticipate any difficulty in meeting our foreign exchange needs, there can be no assurance that the current foreign exchange rules with respect to currency transactions within the scope of the current account will not be changed to our detriment. As such, any future restrictions on currency exchanges may limit our ability to utilise funds generated in the PRC to fund any potential business activities outside the PRC or to distribute dividends to our Shareholders. To date, Techsin Wuxi has not repatriated any profits out of the PRC.

4. RISK FACTORS (Cont'd)

On the other hand, there are no Singapore governmental laws, decrees, regulations or other legislation that may affect the import or export of capital, including the availability of cash and cash equivalents for use by our Group.

- (e) **A significant part of our operations and material assets are located in Singapore and the PRC. It could be difficult to enforce a judgement obtained in Malaysia against us, our Executive Directors and our Key Management**

We are incorporated in Malaysia. However, all of our operating subsidiaries are either incorporated in Singapore or the PRC, and all of our operations and assets are located in Singapore and the PRC. In addition, all of our Executive Directors and our Key Management are non-residents of Malaysia, and most if not all the assets of these persons are located outside Malaysia.

As a result, notwithstanding the existence of the Reciprocal Enforcement of Commonwealth Judgements Act (Cap 264) in Singapore, it could be difficult for investors to effect service of process in Malaysia if they wish to make a claim against our Singapore subsidiaries or our Executive Directors or our Key Management, or to enforce a judgement obtained in Malaysia against our Singapore subsidiaries or our Executive Directors or our Key Management. Similarly, it would also be difficult for investors to effect service of process in Malaysia if they wish to make a claim against our PRC subsidiary or our Executive Directors or our Key Management, or to enforce a judgement obtained in Malaysia against our PRC subsidiaries or our Executive Directors or our Key Management.

- (f) **Other factors and restrictions of the PRC may impede our ability to service any debt obligations or pay dividends to our Shareholders**

PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles. PRC accounting principles differ in many aspects from generally accepted accounting principles in other jurisdictions, including International Financial Reporting Standards. PRC laws also require foreign invested enterprises to set aside distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our PRC subsidiary may enter into in the future may also restrict the ability of our PRC subsidiary to make contributions to us and our ability to receive distributions. Therefore, these restrictions have an effect on the availability and utilisation of our major source of funding. In turn, these restrictions may impact our ability to pay dividends to our Shareholders.

On the other hand, there are no Singapore governmental laws, decrees, regulations or other legislation that may affect the remittance of dividends, interest or other payments to non-resident holders of our companies' securities.

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4. RISK FACTORS (Cont'd)

4.3 RISKS RELATING TO OUR SECURITIES

(a) Failure or delays in the Listing

The occurrence of any one (1) or more of the following events (which may not be exhaustive) may cause a delay in, or non-implementation of, the Listing:-

- (i) our Group is unable to meet the minimum public spread requirement, that is, at least 25% of the total number of Shares for which the Listing is sought to be in the hands of the public and at a minimum of 200 shareholders at the point of our admission to the ACE Market; or
- (ii) our Group is unable to meet the minimum requirement for the listing of the Warrants, that is, at least 100 Warrants holders holding not less than 1 board lot of the Warrants each; or
- (iii) The Underwriter exercises its rights pursuant to the Underwriting Agreement and discharge itself from its obligations thereunder.

(b) No prior market for our Shares and Warrants

There has been no prior market for our Shares and Warrants. There can be no assurance as to the liquidity of any market that may develop for the Shares and/or Warrants, the ability of holders to sell their Shares and/or Warrants or the prices at which holders would be able to sell their Shares and/or Warrants. Bursa Securities has approved the listing of and quotation for the entire Shares and Warrants-in-issue of MClean. However, there can be no assurance that the Shares and/or Warrants will ultimately be accepted for trading on the Official List.

The acceptances of application for our securities is conditional upon the permission being granted by Bursa Securities to deal in and for the listing of and quotation for our entire issued and paid-up ordinary share capital on the ACE Market and warrants on the Official List. Accordingly, monies paid in respect of any application accepted for the IPO will be returned in full without interest to the applicants, at the applicant's own risk, within 14 days if the aforesaid permission for quotation is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC), provided our Company is notified by Bursa Securities within the aforesaid timeframe. If any such monies are not returned within 14 days after our Company and the Offerors become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply.

Our Shares could trade at prices that may be lower than the IPO Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our Group's operating results and the markets for similar securities. Furthermore, in the event that our Shares trade at prices that may be lower than the IPO Price or the Exercise Price, the Warrants will be out-of-the-money and be of no value to the Warrant Holders in exercising the Warrants. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to our Shares and Warrants. There can be no assurance that the market for our Shares and/or Warrants, if any, will not be subject to similar disruptions. Any disruptions in such market may have a material adverse effect on the holders of our Shares and/or Warrants.

4. RISK FACTORS (Cont'd)

(c) Control by Promoters

Upon completion of the IPO, our Promoters will collectively and effectively hold in aggregate 68,784,941 Shares, which represent approximately 58.59% of the enlarged paid up ordinary share capital of our Company and up to approximately 68.62% in the event only the Promoters exercise the Warrants held by them.

As a result, it is likely that our Promoters will be able to effectively control the outcome of certain matters requiring shareholders' approval, including the constitution of our Board. Depending on how they choose to vote and because of the size of their collective shareholdings, the Promoters will have significant influence over matters requiring shareholders' approval, unless they are required by law and/or the relevant authorities to abstain from voting.

Nonetheless, we have formed the Audit Committee which will ensure that any future transactions involving related parties, if any, are entered into on arms-length basis.

(d) The market value of our Shares and Warrants may be volatile and subject to external factors

The trading prices and volume of our Shares and Warrants could be subject to fluctuations in response to various factors, some of which are not within our control. As our market price for the Shares and/or the Warrants may be volatile and may fluctuate significantly and rapidly, there is no assurance that the market prices for our Shares will remain at or above the IPO Price as the market prices for our Shares and Warrants could be affected by several factors, including but not limited to:

- variations in the results of our operations;
- changes in general market, political and economic conditions;
- changes in recommendations by financial and/or industry analysts;
- changes in market valuation of listed companies in general and other companies engaged in a business similar to our Group;
- gain or loss of major customers or contracts;
- additions or departures of Key Management;
- announcements of new investments, strategic alliances, and/or acquisitions;
- and
- involvement of our Group in material litigation.

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market prices of our Shares and Warrants.

Nevertheless, the profitability of our Group is not dependent on the performance of our Shares and/or Warrants on Bursa Securities as the business activities of the Group have no direct correlation with the performance of securities listed on Bursa Securities.

4. RISK FACTORS (Cont'd)

(e) Disclosure regarding forward-looking statements

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors or employees acting on our behalf, that are not statements of historical fact, constitute "forward-looking statements". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to our revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any statements which are forward-looking in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by us, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially for the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, general economic and business conditions, competition and the impact of new laws and regulations affecting us. In the light of these risks and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not imply that our plans and objectives of would be fully implemented and satisfied.

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5. INFORMATION ON OUR GROUP

5.1 HISTORY AND BUSINESS OVERVIEW OF OUR GROUP

5.1.1 Information on MClean

Our Company was incorporated in Malaysia under the Act on 17 March 2010 as a private limited company under the name of MClean Technologies Sdn Bhd (Company No. 893631-T) with an issued and paid-up share capital of RM2.00, comprising two (2) ordinary shares of RM1.00 each. Our Company was incorporated principally to act as the investment holding company for our Group and as the listed company under the Listing.

On 5 April 2010, our Company completed a sub-division of our issued and paid-up ordinary shares from two (2) ordinary shares of RM1.00 each to four (4) ordinary shares of RM0.50 each. Subsequently on 31 May 2010, a further sub-division of our issued and paid-up ordinary shares from four (4) ordinary shares of RM0.50 each to eight (8) ordinary shares of RM0.25 each was completed.

On 12 October 2010, our Company completed the acquisition of the entire equity interest of both Magnetronics and Techsin Singapore. Magnetronics and Techsin Singapore are the respective holding companies for our Group's main operating entities, being MClean Singapore and Techsin Wuxi, respectively.

Our Company was subsequently converted into a public limited company and assumed its current name on 18 October 2010 as part of our listing on the ACE Market.

Our Group's principal activities are:-

- (i) The provision of precision cleaning and washing solutions for components of HDD, media cassettes, trays, as well as medical devices and other components that require a high level of precision cleaning; and
- (ii) The provision of precision plastic injection moulding for components of HDD such as filters, media cassettes and trays including components for other industries such as automotive, electronic and electrical industries (e.g, light guides, lenses, etc.).

Our principal activities are predominantly carried out in our Group's own in-house Clean Room facilities. Our Group's customers consist mainly of HDD main component suppliers and manufacturers such as Seagate, WD, Donaldson, etc. The geographic footprint of our services includes Singapore, the PRC, Malaysia and others.

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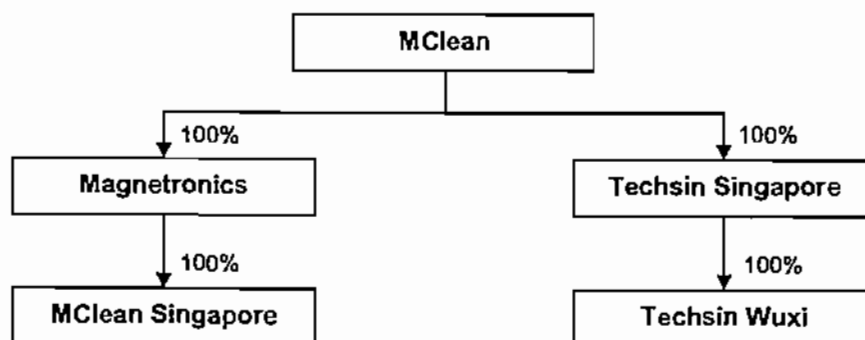
5. INFORMATION ON OUR GROUP (Cont'd)

The principal activities and other details of our subsidiary companies are as follows:-

Subsidiaries	Date/ country of incorporation	% effective equity interest	Issued and paid-up capital / Registered capital	Principal activities
Magnetronics	2 June 2001 / Singapore	100.00	SGD1,000,000	Investment holding and provision of washing, assembly and sorting services for electronic components and sale of electronic components
MClean Singapore	5 December 2003 / Singapore	100.00	SGD1,000,000	Provision of precision cleaning and Clean Room assembly and sorting services to the HDD and semiconductor industries
Techsin Singapore	4 November 2009 / Singapore	100.00	SGD2,400,001	Investment holding and provision of precision cleaning services and assemblies of HDD products.
Techsin Wuxi	14 July 2006 / PRC	100.00	USD2,100,000	Clean Room injection moulding and provision of precision cleaning and Clean Room assembly sorting services to the HDD and semiconductor industries

Further details regarding our subsidiary companies are set out in Section 5.5 of this Prospectus.

Our Group's current corporate structure is as follows:-



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5. INFORMATION ON OUR GROUP (Cont'd)

5.1.2 History of our Business

Magnetronics was founded by our CEO, Bert Chow and Mr. Lee Zhi Hong in 2001 to provide precision cleaning and assembly services to the HDD and semiconductor industries via its facility at Ang Mo Kio, Singapore. Subsequently in 2002, our Executive Chairman, Jason Yeo, acquired a controlling equity stake of 54% in Magnetronics from Bert Chow (33%) and Lee Zhi Hong (21%). On the other hand, Techsin Wuxi was set up by our Executive Chairman, Jason Yeo in 2006 through his company, JCS-Echigo to provide precision cleaning, assembly as well as plastic injection moulding services in the HDD and semiconductor industry in the PRC.

In 2003, Seagate expanded its media operations in Singapore and had planned for the relocation of the Seagate media substrate plant from Limavaly, Ireland to Johor Bahru, Malaysia. As a result of the increased plant capacity, Jason Yeo and Bert Chow foresaw the potential for positive growth prospects in precision cleaning for the media and substrate cassettes by providing outsourcing service in Singapore. To capitalise on this opportunity, Jason Yeo and Bert Chow decided to expand the precision cleaning business to include media and substrate cassettes, in addition to HDD components and parts. As a result, MClean Singapore was incorporated in 2003 and a precision cleaning operation facility was set up in Woodlands, Singapore under MClean Singapore. The primary reason for setting up the new facility in Woodlands was that the location would strategically position the Company within proximity to Seagate's media plant in Woodlands so as to provide Just-In-Time media cassette cleaning services to Seagate and other customers in the vicinity. With the set-up of our Woodlands facility, we gradually relocated our precision cleaning lines from our Ang Mo Kio facility to Woodlands, due to its increased capacity and more advanced cleaning technologies utilised. Our Ang Mo Kio plant was subsequently closed in 2007 due to the decreasing orders for precision cleaning and sub-assembly of magnetic components undertaken at the plant.

Since its incorporation, MClean Singapore has obtained precision cleaning qualification approvals from our customers which includes Clean Room standard, machine design and parameters, and ultrasonic frequency. Such customers include HDD industry leaders such as Seagate, Hitachi, WD, Hoya Magnetics (now part of WD), Komag Inc. (now part of WD) and STMicroelectronics. Such qualification approvals allow MClean Singapore to serve as one of their precision cleaning service providers. These assessments vary from one customer to another and are based on product characteristics and functions of items to be precision cleaned and may also normally include annual audits by customers to ensure that such qualification is maintained on a continuous basis.

In 2006, Lee Zhi Hong exited the precision cleaning business and disposed his shareholdings in Magnetronics to Jason Yeo who subsequently sold the aforementioned shares to SinCo Technologies, resulting in SinCo Technologies being a 30% substantial shareholder in Magnetronics. SinCo Technologies is not involved in the day-to-day business operations of the Magnetronics Group and is only an investor in Magnetronics.

In 2009, MClean Singapore diversified the precision cleaning business to include providing cleaning solutions for wafer fabrication companies and successfully secured STMicroelectronics, a wafer fabrication company, as a customer for its 300mm FOUP cleaning. By developing a successful business relationship with STMicroelectronics, MClean Singapore had successfully proven that its precision cleaning capabilities can also serve the semiconductor industry from its precision cleaning of STMicroelectronics' wafer carriers. This development served as a good reference for other semiconductor manufacturers and their suppliers to outsource their cleaning requirements to MClean Singapore.

5. INFORMATION ON OUR GROUP (Cont'd)

Following from the initial success of MClean Singapore in the precision cleaning and washing business, Techsin Wuxi was incorporated on 14 July 2006 in Wuxi, Jiangsu Province, the PRC as a wholly-owned subsidiary of JCS-Echigo (a company substantially owned by Jason Yeo) to establish a presence in the PRC to provide precision cleaning and plastic injection moulding services for customers located in Wuxi and Suzhou. Suzhou is located approximately one (1) hour by road from Wuxi. Techsin Wuxi currently provides precision cleaning services for the HDD industry, and provides injection moulding services for the HDD industry, automotive industry and household electrical appliances.

We commenced our plastic injection moulding service in 2006 and had since then provided plastic injection moulding services to one of our key customers, Donaldson for precision filter housing parts used in HDD. These filter housing parts are moulded in our controlled Class 10k Clean Room to ensure they are contaminant-free.

Despite operating with just a single precision cleaning production line, Techsin Wuxi managed to successfully obtain qualification from Seagate at the end of 2007 to provide precision cleaning services. In 2008, an additional production line was installed in Techsin Wuxi and this enabled Techsin Wuxi to operate at 24-hour capacity. Following from the expected recovery of the HDD industry, we increased our capacity to three (3) washing lines in June 2009. Currently, we have 15 plastic injection moulding machines for both high-end precision moulding for the HDD industry as well as general moulding for other industries (e.g. automotive industry and household electrical appliances).

In order to facilitate the Listing, Techsin Singapore was incorporated in November 2009 as an investment holding vehicle wholly owned by Jason Yeo to acquire the entire registered capital of Techsin Wuxi from JCS-Echigo, resulting in Techsin Wuxi being wholly-owned by Techsin Singapore. The acquisition of Techsin Wuxi's entire registered capital by Techsin Singapore was completed on 3 June 2010. Subsequently, on 12 October 2010, our Company completed the acquisition of the entire equity interests in Magnetronics and Techsin Singapore, resulting in the formation of our current Group structure. Please refer to Section 11.3 of this Prospectus for further details of the Internal Reorganisation.

Further details of our Group's existing business operations are set out in Section 6 of this Prospectus.

5.2 LISTING SCHEME

In conjunction with, and as an integral part of our Listing, we will be undertaking a listing scheme which will entail our Company and the Offerors making available a total of 15,400,000 Public Issue Shares (together with 7,700,000 Public Issue Warrants) and 11,050,000 Offer Shares (together with 5,525,000 Offer Warrants) respectively, the details of which are set out as follows:-

(a) The Public Issue

In conjunction with the Listing, we will issue the Public Issue Shares, together with the Public Issue Warrants to be allotted on the basis of one (1) new Warrant for every two (2) new Shares at the IPO Price to individuals, companies, societies, co-operatives, institutions and business associates by way of private placement and public offer, subject to the terms and conditions contained in this Prospectus and the Application Forms.

5. INFORMATION ON OUR GROUP (Cont'd)

The Public Issue is expected to result in our Company raising gross proceeds of approximately RM8,008,000, the proposed utilisation of which is set out in Section 3.10 of this Prospectus. The Public Issue Shares represent approximately 13.12% of our Company's enlarged issued and paid-up ordinary share capital while the Public Issue Warrants represent approximately 13.12% of the total Warrants to be issued.

Upon completion of the Public Issue, our issued and paid-up ordinary share capital will increase from RM25,500,000, comprising 102,000,000 Shares, to RM29,350,000, comprising 117,400,000 Shares credited as fully paid-up. Additionally, the Public Issue will also result in a total of 58,700,000 Warrants to be issued and allotted (including the 51,000,000 Warrants to be issued and allotted as part of the Acquisitions, as further described in Sections 3.3 and 3.4(b) of this Prospectus).

There is no minimum subscription as the Public Issues Shares (together with the Public Issue Warrants) have either been underwritten or identified investors have been identified to subscribe for it. As at the date of this Prospectus, our Placement Agent has received irrevocable undertakings from the said identified investors to subscribe for it.

Further details on the Public Issue have been set out in Section 3.5.1 of this Prospectus.

(b) The Offer for Sale

In conjunction with the Listing, the Offerors will implement the Offer for Sale by making available the Offer Shares together with the Offer Warrants (to be issued to them) on the basis of one (1) Warrant for every two (2) existing Shares at the IPO Price to identified investors by way of private placement, subject to terms and conditions contained in this Prospectus and the Application Forms.

The Offer for Sale is expected to result in the Offerors raising gross proceeds of RM5,746,000. The Offer Shares represent approximately 9.41% of our Company's enlarged issued and paid-up ordinary share capital while the Offer Warrants represent approximately 9.41% of the total Warrants to be issued.

As at the date of this Prospectus, our Placement Agent has received irrevocable undertakings from the said identified investors to acquire the Offer Shares (together with the Offer Warrants).

Further details on the Offer for Sale has been set out in Section 3.5.2 of this Prospectus.

(c) Listing and quotation on the ACE Market

Upon completion of the IPO, our entire issued and paid-up share capital of RM29,350,000 comprising 117,400,000 Shares will be listed on the ACE Market together with 58,700,000 Warrants which will also be listed on the Official List.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.3 SHARE CAPITAL

The authorised and issued and paid-up ordinary share capital of our Company as at the date of this Prospectus and upon the completion of the IPO are as follows:-

	As at the date of this Prospectus		Upon completion of the IPO		Par value
	No. of Shares	RM	No. of Shares	RM	RM
Authorised	400,000,000	100,000,000	400,000,000	100,000,000	0.25
Issued and paid-up	102,000,000	25,500,000	117,400,000	29,350,000	0.25

The details of the changes in the issued and paid-up share capital of our Company since our date of incorporation up to the date of this Prospectus are as follows:-

Date of allotment	No. of Shares allotted	Par value RM	Consideration	Cumulative total no. of Shares	Cumulative total RM
17 March 2010	2	1.00	Cash	2	2.00
5 April 2010	-	0.50	Sub-division of RM1.00 par value shares to RM0.50 par value	4	2.00
31 May 2010	-	0.25	Sub-division of RM0.50 par value shares to RM0.25 par value	8	2.00
11 October 2010	101,999,992	0.25	Issued pursuant to the Acquisitions	102,000,000	25,500,000

In addition to the above, our Company will also be issuing an aggregate of 58,700,000 Warrants comprising of:-

- (i) 30,999,996 Warrants pursuant to the Acquisitions in respect of the acquisition of 100% equity stake in Magnetronics;
- (ii) 20,000,004 Warrants pursuant to the Acquisitions in respect of the acquisition of 100% equity stake in Techsin Singapore; and
- (iii) 7,700,000 Warrants pursuant to the Public Issue.

All the Warrants are expected to be issued simultaneously in conjunction with the Public Issue. Details in relation to the salient terms and conditions of the Warrants have been set out in Section 3.4(b) of this Prospectus.

5. INFORMATION ON OUR GROUP (Cont'd)

Save as disclosed above, we do not have any other outstanding warrants, options, convertible securities and uncalled capital.

5.4 KEY ACHIEVEMENTS AND MILESTONES

Since 2001, our Group has provided customised precision cleaning services to the HDD and semiconductor industries. Despite the different requirements set by each customer for our services, we have managed to customise our facilities to meet the requirements of Clean Room standards imposed by the National Environmental Balancing Bureau (NEBB) of the USA, the requirements by our customers on machine design and parameters, ultrasonic frequency and process control, etc. In December 2004, we obtained our first qualification approval from Seagate STRMO for our media cassette washing. This was immediately followed by a qualification approval from Hoya Magnetics to qualify us as their precision cleaning vendor in the same month. Gradually and over the years, we have been accepted by other HDD key players to serve their precision cleaning needs and established our reputation as a key service provider for precision cleaning in this industry.

List of Key Historical Milestones

Date	Key Milestones
June 2001	Magnetronics was established to cater to the demand of precision cleaning for HDD and semiconductor industries
December 2003	MClean Singapore was established to cater to the demand of precision cleaning for HDD and semiconductor industries
December 2004	Obtained qualification approval from Seagate STRMO for its media cassette washing
December 2004	Obtained qualification approval from Hoya Magnetics for all its media cassettes washing
January 2005	Obtained qualification approval from Hitachi of its media cassette washing
March 2005	Obtained qualification approval from Seagate AMK for its component cleaning and assembly
May 2005	Obtained ISO 9001:2000 Certification for MClean Singapore
June 2005	Obtained qualification approval from WD for its component and tray washing
January 2006	Obtained qualification approval from Komag Inc. for its media substrate cassettes washing

5. INFORMATION ON OUR GROUP (Cont'd)

Date	Key Milestones
July 2006	Techsin Wuxi was established to provide HDD precision washing and injection moulding services for the HDD industry, automotive industry and household electrical appliances
November 2006	Techsin Wuxi obtained approval from Donaldson to start production of filter housing with clean room washing
June 2007	Expanded MClean Singapore production (line no. 4) to meet capacity demand
July 2007	Techsin Wuxi obtained qualification approval from Seagate Technology International Wuxi for tray washing
June 2008	Obtained qualification approval from STMicroelectronics for its 200mm wafer box cleaning
	Accredited with ISO/TS 16949:2002 for Techsin Wuxi – manufacturing of plastic injection moulding parts for the automotive industry
March 2009	<ul style="list-style-type: none"> - Obtained ISO 9001:2000 Certification for Techsin Wuxi - Techsin Wuxi obtained qualification approval from Seagate STRMO for cassettes washing
October 2009	Obtained qualification approval from STMicroelectronics for its 300mm FOUP cleaning
July 2010	Obtained facility qualification from Seagate for Techsin Wuxi's new facilities in Wuxi, the PRC.
August 2010	Obtained qualification approval from Heraeus Material Technology Singapore to wash its fine wire spool used in the semiconductor industry
October 2010	Obtained qualification approval for HDD cassette cleaning for the New Plant

We are also proud to point out that our Group has not failed any annual or periodical qualification audits by any of our customers after obtaining their respective initial qualification approvals. This is a testament of our focus and commitment to our customers to continuously provide them with quality service and meeting their expectations as service providers, in particular for our customers who are MNCs and who represent key global players in the HDD industry.

5. INFORMATION ON OUR GROUP (Cont'd)

5.5 INFORMATION ON SUBSIDIARY COMPANIES

5.5.1 Information on Magnetronics

(a) History and Business

Magnetronics was incorporated under the Companies Act of Singapore on 2 June 2001 in Singapore to provide precision cleaning services and Clean Room assembly in Ang Mo Kio, Singapore. At the time of its incorporation, Magnetronics specialised in providing precision cleaning services for magnets in voice coil magnet assemblies. Following from the incorporation of MClean Singapore, Magnetronics has since expanded its business activities to include investment holding and provision of washing, assembly and sorting services for electronic components.

(b) Share Capital

As at the Latest Practicable Date, Magnetronics has an issued and paid-up share capital of SGD1,000,000 (equivalent to approximately RM2,397,900), comprising 1,000,000 ordinary shares.

Details of the changes in the issued and paid-up share capital of Magnetronics since its incorporation up to the Latest Practicable Date are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value ⁽¹⁾ (SGD)	Consideration	Cumulative total (SGD)
2 June 2001	2	1.00	Cash representing subscribers' shares	2
19 August 2002	999,998	1.00	Capitalisation of SGD999,998 owing by Magnetronics to Magnetronics Pte Ltd ⁽²⁾ for the acquisition of business and assets	1,000,000

Notes:-

(1) Following from the Companies (Amendment) Act 2005 of Singapore coming into effect on 30 January 2006, Magnetronics does not have any authorised share capital and par value for its ordinary shares.

(2) Magnetronics Pte Ltd had filed for voluntary winding-up and was subsequently removed from the Register of Companies.

As at the Latest Practicable Date, there are no outstanding warrants, options, convertible securities or uncalled capital in Magnetronics.

(c) Shareholders

Magnetronics is wholly-owned by our Company.

5. INFORMATION ON OUR GROUP (Cont'd)

(d) Directors

The directors of Magnetronics consist of Jason Yeo and Bert Chow who are also our Promoters, Substantial Shareholders, Executive Directors and Key Management.

(e) Subsidiary and Associated Companies

As at the Latest Practicable Date, Magnetronics has only one (1) wholly-owned subsidiary company, namely MClean Singapore and does not have any associate companies.

(f) Acquisition or disposal of material assets

Magnetronics has not acquired or disposed of any material assets other than in the ordinary course of business for the three (3) years preceding the Latest Practicable Date.

5.5.2 Information on MClean Singapore

(a) History and Business

MClean Singapore was incorporated under the Companies Act of Singapore on 5 December 2003 in Singapore as a wholly-owned subsidiary of Magnetronics to serve the HDD and semiconductor industries by providing precision cleaning and Clean Room assembly services. MClean Singapore's key service areas are the provision of precision cleaning services for HDD components, component trays, media cassettes and wafer carriers.

(b) Share Capital

As at the Latest Practicable Date, MClean Singapore has an issued and paid-up share capital of SGD1,000,000 (equivalent to approximately RM2,397,900), comprising 1,000,000 ordinary shares.

Details of the changes in the issued and paid-up share capital of MClean Singapore since its incorporation up to the Latest Practicable Date are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value ⁽¹⁾ (SGD)	Consideration	Cumulative total (SGD)
5 December 2003	2	1.00	Cash representing subscribers' shares	2
1 March 2005	999,998	1.00	Capitalisation of shareholders' advances	1,000,000

Note:-

(1) Following from the Companies (Amendment) Act 2005 of Singapore coming into effect on 30 January 2006, MClean Singapore does not have any authorised share capital and par value for its ordinary shares.

5. INFORMATION ON OUR GROUP (Cont'd)

As at the Latest Practicable Date, there are no outstanding warrants, options, convertible securities or uncalled capital in MClean Singapore.

(c) Shareholders

MClean Singapore is wholly-owned by Magnetronics.

(d) Directors

The directors of MClean Singapore are Jason Yeo, Bert Chow and Lim Jit Ming, Bryan. Jason Yeo and Bert Chow are also our Promoters, Substantial Shareholders, Executive Directors and Key Management whilst Lim Jit Ming, Bryan is deemed to be an indirect Substantial Shareholder by virtue of his shareholdings in SinCo Technologies (a Substantial Shareholder of our Company) pursuant to Section 6A of the Act.

(e) Subsidiary and Associated Companies

As at the Latest Practicable Date, MClean Singapore does not have any subsidiary companies or associated companies.

(f) Acquisition or disposal of material assets

MClean Singapore has not acquired or disposed of any material assets other than in the ordinary course of business for the three (3) years preceding the Latest Practicable Date.

5.5.3 Information on Techsin Singapore

(a) History and Business

Techsin Singapore was incorporated under the Companies Act of Singapore in Singapore on 4 November 2009. It also provides administrative functions for its subsidiary, namely Techsin Wuxi.

(b) Share Capital

As at the Latest Practicable Date, Techsin Singapore has an issued and paid-up share capital of SGD2,400,001 (equivalent to approximately RM5,754,962) comprising 2,400,001 ordinary shares.

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5. INFORMATION ON OUR GROUP (Cont'd)

Details of the changes in the issued and paid-up share capital of Techsin Singapore since its incorporation up to the Latest Practicable Date are as follows:-

Date of allotment	No. of ordinary shares allotted	Consideration	Cumulative total (SGD)
4 November 2009	1	Cash representing subscribers' shares	1
29 April 2010	2,400,000	Capitalisation of SGD2,400,000 owing by Techsin Singapore to Jason Yeo ⁽¹⁾	2,400,001

Note:-

(1) *The amount of SGD2,400,000 owing by Techsin Singapore to Jason Yeo is in respect of Jason Yeo assuming the liability of Techsin Singapore to pay JCS-Echigo for the outstanding purchase consideration for Techsin Singapore's acquisition of the entire registered capital of Techsin Wuxi ("Outstanding Amount"). The Subscription amount payable by Jason Yeo for the issue and allotment of the 2,400,000 ordinary shares in Techsin Singapore is deemed satisfied in full by applying the Outstanding Amount towards satisfaction of the aforesaid subscription amount and set-off against the Outstanding Amount.*

As at the Latest Practicable Date, there are no outstanding warrants, options, convertible securities or uncalled capital in Techsin Singapore.

(c) Shareholders

Techsin Singapore is wholly-owned by our Company.

(d) Directors

As at the Latest Practicable Date, the sole director of Techsin Singapore is Jason Yeo who is also our Promoter, Substantial Shareholder, Executive Chairman and Key Management.

(e) Subsidiary and Associated Companies

As at the Latest Practicable Date, Techsin Singapore has one (1) wholly-owned subsidiary company, namely Techsin Wuxi, and does not have any associate companies.

(f) Acquisition or disposal of material assets

Save for the acquisition of the entire registered capital of Techsin Wuxi from JCS-Echigo for a consideration of SGD2,900,000 (equivalent to approximately RM6,953,910) which was completed on 3 June 2010, further details of which are set out in Section 11.3 of this Prospectus, Techsin Singapore has not acquired or disposed of any material assets other than in the ordinary course of business since the date of its incorporation up to the Latest Practicable Date.

5. INFORMATION ON OUR GROUP (Cont'd)

5.5.4 Information on Techsin Wuxi

(a) History and Business

Techsin Wuxi was incorporated in the PRC under the PRC Company Law as a private limited company on 14 July 2006. Techsin Wuxi was established under the name of 佳益电子(无锡)有限公司 as a WFOE and was established as a wholly-owned subsidiary of JCS-Echigo. Upon incorporation, Techsin Wuxi was principally involved in the development and manufacturing of disk drivers, electronic parts and components, manufacturing of injection mould, cavity mould, standard parts for injection moulds of auto mobiles, repairing mechanical equipment (excluding elevators), sales of self-manufactured products and provision of after-sales service.

Since March 2007, Techsin Wuxi had been fabricating components for the cleaning machineries manufactured by its then shareholder, JCS-Echigo. Due to the deteriorating business conditions of JCS-Echigo in 2008, further details of which as set out in Section 11.2 of this Prospectus, this fabrication business was discontinued in December 2008 as the plants were not operating at their optimal capacities.

Notwithstanding the abovementioned fabrication business, Techsin Wuxi had since 7 May 2007 been expanding on its current principal activities of manufacturing of injection moulding and cleaning of plastic products and metal products.

(b) Registered Capital

As at the Latest Practicable Date, the approved investment amount (being the sum of the capital contribution and approved working capital to be invested) of Techsin Wuxi is USD4,200,000 (equivalent to approximately RM12,854,100) whereas the approved registered capital of Techsin Wuxi is USD2,100,000 (equivalent to approximately RM6,427,050), of which all have been contributed or invested.

Details of the changes in the registered capital of Techsin Wuxi since its incorporation up to the Latest Practicable Date are as follows:-

Date of capital contribution	Amount of capital contribution (USD)	Consideration	Cumulative total (USD)
14 July 2006	-	Incorporation date with nil capital contribution	-
26 July 2006	100,000	Cash	100,000
12 October 2006	803,000	In-kind in the form of equipment ⁽¹⁾	903,000
15 January 2007	95,000	Cash	998,000
23 January 2007	50,000	Cash	1,046,000
31 January 2007	100,000	Cash	1,148,000

5. INFORMATION ON OUR GROUP (Cont'd)

Date of capital contribution	Amount of capital contribution (USD)	Consideration	Cumulative total (USD)
14 February 2007	100,000	Cash	1,248,000
19 April 2007	185,000	Cash	1,433,000
23 December 2007	232,000	In-kind in the form of equipment ⁽¹⁾	1,665,000
5 July 2008	435,000	In-kind in the form of equipment ⁽¹⁾	2,100,000

Note:-

(1) *Relating to precision cleaning-related machineries and equipment contributed by JCS-Echigo as shareholder.*

As at the Latest Practicable Date, there are no outstanding warrants, options, convertible securities or uncalled capital in Techsin Wuxi.

(c) Shareholders

Techsin Wuxi is wholly-owned by Techsin Singapore.

(d) Directors

As at the Latest Practicable Date, the directors of Techsin Wuxi are Jason Yeo, Yeo Seow Lai and Ng Kwang Eng. The Legal Representative of Techsin Wuxi is Ng Kwang Eng, who is also our Key Management.

Jason Yeo is also our Promoter, Substantial Shareholder, Executive Director and Key Management whilst Yeo Seow Lai is our Director.

(e) Subsidiary and Associated Companies

As at the Latest Practicable Date, Techsin Wuxi does not have any subsidiary companies or associated companies.

(f) Acquisition or disposal of material assets

Save as disclosed below, Techsin Wuxi has not acquired or disposed of any material assets other than in the ordinary course of business for the three (3) years preceding the Latest Practicable Date.

5. INFORMATION ON OUR GROUP (Cont'd)

Techsin Wuxi had on 24 December 2009 entered into an assets transfer agreement with Fujikura Electronics Wuxi Co., Ltd (藤仓电子(无锡)有限公司) ("Fujikura") to acquire certain office and manufacturing facilities from Fujikura (excluding the land and building) for an aggregate consideration of RMB900,000 (equivalent to approximately RM419,130), whereby Fujikura shall transfer such assets to Techsin Wuxi on 31 March 2010. The rationale for this acquisition and further details are set out in Section 6.6.4 of this Prospectus.

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6. BUSINESS OVERVIEW

6.1 PRINCIPAL ACTIVITIES

Our Group's business operations are set out as follows:-

Principal Activities	Description
Precision Cleaning	Precision cleaning of the HDD components, HDD components trays, media cassettes and wafer carriers
Plastic Injection Moulding	Production of plastic injection mouldings for components of HDD such as filters, media cassettes and trays as well as components for other industries such as the automotive, electronic and electrical industries (e.g, light guides, lenses, etc.).

For the FYE 2009, precision cleaning activities contributed approximately 88% in revenue to our Group, while the plastic injection moulding activities contributed approximately 12%. Precision cleaning activities decreased slightly to 84% while plastic injection moulding activities increased to 16% for the FPE 2010.

6.1.1 Precision Cleaning

We provide precision cleaning services via our semi-automated precision cleaning system that utilises ultrasonic sonication to remove micro contaminants from precision components and carriers mainly to the HDD and semiconductor industries in Singapore and the PRC. This precision cleaning is done in a controlled environment, generally known as a Clean Room.

Ultrasonic sonication and Clean Room are two (2) of the technologies in which our Group uses as part of our business operations, further details of which are set out in Section 6.4 of this Prospectus.

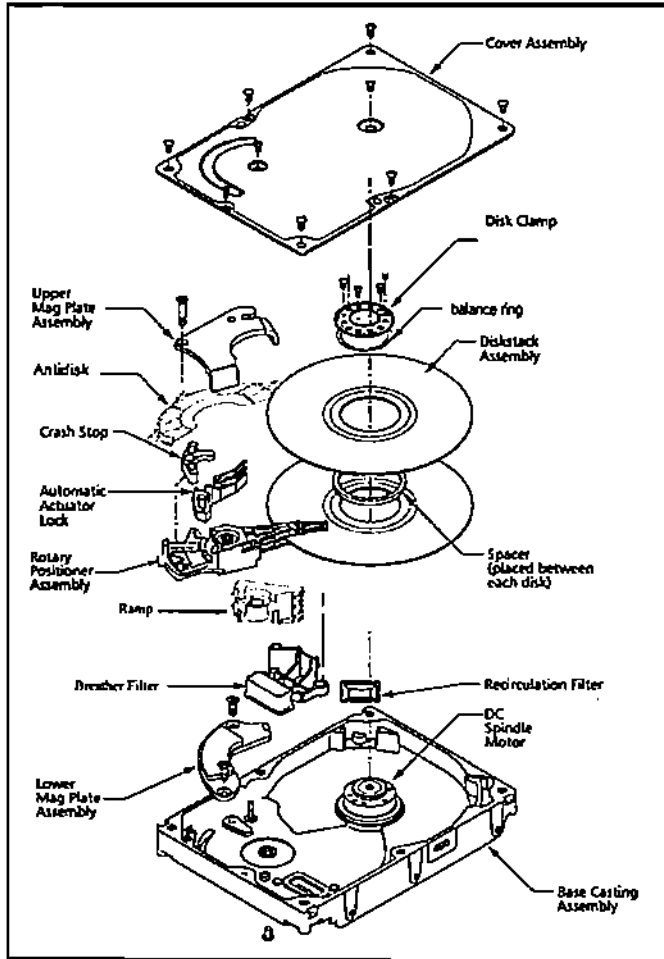
Precision cleaning is characterised by the consistent and thorough cleaning of components or carriers ("objects"). Objects to be cleaned are sometimes delicate, requiring special handling and cleaning processes. The contamination level are measured in ppb of particles before and after cleaning and would be measured to ensure that cleaned objects meet the level of cleanliness required or specified by our customers.

Precision cleaning is a critical phase within the value chain of ultra clean manufacturing processes, such as the manufacturing and assembly of HDD and semiconductor. Ultra clean manufacturing processes require the environment and its component parts (including the direct and peripheral manufacturing tools) to be of low contaminant levels to ensure smooth manufacturing with low defect levels, ultimately increasing yield. For this matter, HDD components, media cassettes and trays (including some of the components casts from our plastic injection moulding activities) have to be cleaned to remove micro contaminants from the surface of these parts to allow the smooth functioning of these precision items.

Contaminants on the surface of these precision objects, if not removed to the minimum level specified, would likely result in malfunctions in its application and functionality difficulties that could potentially lead to catastrophic equipment problems and/or failures after they are manufactured.

6. BUSINESS OVERVIEW (Cont'd)

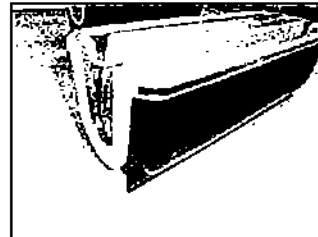
Set out below are some of the HDD components and carriers/trays which are precision cleaned by our Group.



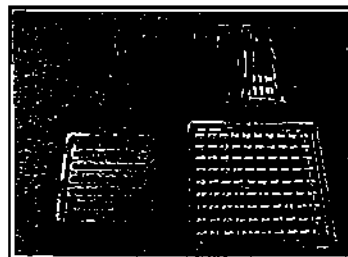
Some examples of HDD components which are cleaned by the M/Clean Group



An example of HDD media cassettes cleaned by the Group



An example of trays used to place HDD components which are cleaned by the Group



6. BUSINESS OVERVIEW (Cont'd)

On a typical scale, when the objects are delivered to us, they are basically contaminated and in our standard cleaning cycle we are able to reduce the level of contamination by as much as 95%. However, the main challenges in cleaning all these objects are:-

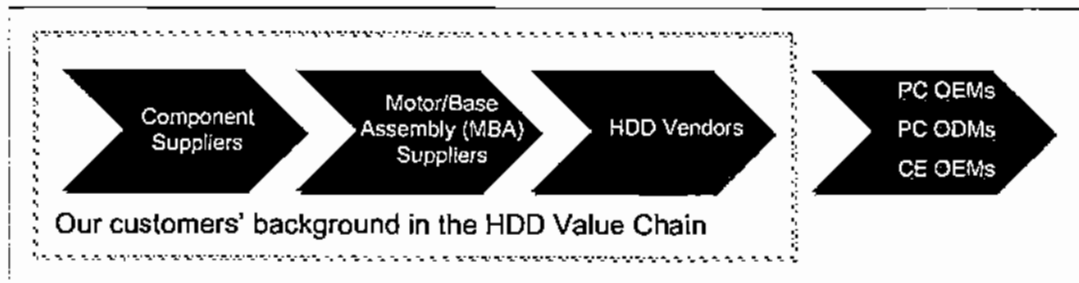
- (i) To be able to consistently clean the objects in large volume over the life cycle of the object; and
- (ii) To be able to clean the objects to the tight cleanliness specification of our customers when the contamination level of different batches of the same object differs significantly due to various factors like the manufacturing processes, the environment and the raw materials used.

As such, the cleaning process is a highly technical and sophisticated process and not a simple process as most people would perceive. The level of contamination acceptable by the customer at the end of the cleaning process is measured and specified by ppb.

The key target industries for precision cleaning services are typically those industries that require an ultra clean environment within their manufacturing process such as HDD, semiconductor, the aerospace industry, automotive, electronics, medical devices and components industries.

Within the manufacturing and assembly of HDD and semiconductor value chain, all components from the smallest coils and filters to the largest HDD cassettes and trays require precision cleaning to the specified low contamination level.

In a HDD value chain, there are component suppliers, MBA suppliers, HDD suppliers and PC OEMs / PC ODMs / CE OEMs. Currently, our Group serves the first three (3) suppliers in the HDD value chain as a supporting precision cleaning arm to these parties while the last segment of the value chain of PC OEMs / PC ODMs / CE OEMs does not require such precision cleaning services.



As a value added service to our HDD customers, we also provide Clean Room assembly services, whereby various HDD components (after being precision cleaned) are assembled according to our customers' specification before being delivered to our customers. For example, we may receive precision cleaning orders from a customer who directs its suppliers to ship us some components to be washed which are then assembled manually to the customer's own components prior to the whole assembled products being delivered to the HDD manufacturer. The Clean Room assembly services involve largely manual labour and must be performed under a Clean Room environment to ensure no contamination during the assembly process.

6. BUSINESS OVERVIEW (Cont'd)

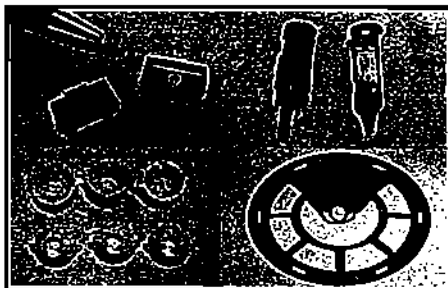
6.1.2 Plastic Injection Moulding

In Techsin Wuxi, we also provide plastic injection moulding services. Plastic injection moulding is the manufacturing process to produce plastic parts using plastic resin materials. Parts manufactured via injection moulding include small components such as HDD filters, light guides and lenses, as well as larger components such as automotive filters and household electrical parts. We use German, Japanese and PRC-made injection moulding machines of various tonnages to produce parts of different sizes and precision quality.

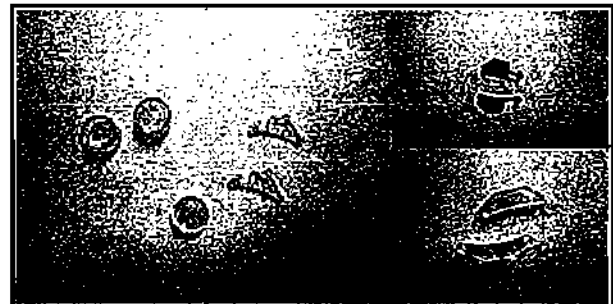
There are many other plastic manufacturing methods, including extrusion, blow moulding, and vacuum forming. Different methods are used to create different types of plastic products. For example, vacuum forming is used to make food and beverage (F&B) packaging such as yoghurt containers and disposable cups as well as hand basins and refrigerators by sucking and stretching a sheet of plastic over a mould.

Extrusion is generally used to make long shapes such as pipes and wallboard joining strips, as well as large thick sheets of plastic for fabrication. Injection moulding is generally used for mass producing plastic objects ranging from high precision gears to everyday plastic objects such as bowls and baskets.

Manufacturing industries such as electronics and electrical, plastics, telecommunication, automotive, machinery, rubber and other industries require many parts and components to be manufactured using injection moulds. Plastic injection moulding is a subset of the injection moulding manufacturing process using plastic resins materials. Manufacturers require many parts to be moulded out of plastics because of its characteristics (e.g. light weight, non-conductive, durable and relatively cheap).



(An illustration of the plastic parts manufactured by us)



(An illustration of the HDD filter parts manufactured by us)

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6. BUSINESS OVERVIEW (Cont'd)

Our injection moulding process involves several steps. Firstly, we commission a tool to mould the plastic parts based on customer product specifications and designing the tool to minimise material wastage in the moulding process. We then carry out a verification and validation of the tool to ensure that it can produce the parts that meet the customer standard. We work with a supplier to provide the tools for our plastic injection moulding. This arrangement allows us to quickly custom-make our moulds to meet our customer requirements. We also verify that the plastic resins we use meet our customers' quality requirements. Once we ensure that the parts can be moulded correctly as per specifications, we begin production of parts to fulfil the customer orders. Quality will be monitored throughout the production process.

Typically our plastic injection moulding can be done on a normal production floor. However, for customers that require parts to have low contamination levels, we are also able to manufacture these parts in a Class 10k Clean Room. Proper Clean Room protocol is observed in this Class 10k Clean Room plastic injection moulding production area.

Our ability to provide precision cleaning service is complementary to our plastic injection moulding especially for the HDD industry. Plastic components in the HDD industry typically require precision cleaning. We are well-positioned to provide our HDD customers both precision plastic injection moulding for HDD parts and to immediately precision clean these parts in the Clean Room environment before delivery to our customers.

6.1.3 Principal Markets and Business Activities

Our Group's revenue is principally generated from three (3) countries, namely Singapore, the PRC and Malaysia. We also generate revenue to a lesser extent from other countries such as Thailand.

The proforma segmental revenue by country for the Financial Years / Period Under Review is set out as follows:-

Revenue	2007		2008		2009		FYE 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Singapore	17,996	65.97	16,735	65.21	15,542	61.42	15,993	54.07
PRC	4,086	14.98	5,186	20.21	5,106	20.18	5,920	20.02
Malaysia	3,327	12.20	2,391	9.32	3,946	15.59	6,410	21.67
Others	1,870	6.85	1,352	5.26	711	2.81	1,253	4.24
Total	27,279	100.00	25,664	100.00	25,305	100.00	29,576	100.00

On the other hand, our Group's revenue is principally generated from two (2) business activities, namely precision cleaning and plastic injection moulding. Our plastic injection moulding activities are wholly conducted from our PRC facilities by Techsin Wuxi.

The proforma segmental revenue by business activities for the Financial Years / Period Under Review is set out as follows:-

6. BUSINESS OVERVIEW (Cont'd)

	FYE						FPE 2010	
	2007 RM'000	%	2008 RM'000	%	2009 RM'000	%	RM'000	%
Revenue								
Precision cleaning	22,598	82.84	22,024	85.82	22,169	87.61	24,886	84.14
Injection moulding	3,266	11.97	2,810	10.95	3,136	12.39	4,690	15.86
Sub-total	25,664	94.81	24,834	96.77	25,305	100.00	29,576	100.00
Fabrication ⁽¹⁾	1,415	5.19	830	3.23	-	-	-	-
Total	27,279	100.00	25,664	100.00	25,305	100.00	29,576	100.00

Note:-

(1) Discontinued operations

Please refer to Section 13.3 of this Prospectus for more information on the revenue breakdown of our Group.

6.1.4 Seasonality

Our Group's revenue is partly dependent on the festive period towards the end of the year, specifically the Christmas holidays. Sales orders tend to increase in the months in the second half of the year in preparation for the manufacturing of HDDs to meet the global consumer demand that peaks towards the end of the year, as HDD manufacturers need to cater for orders from end-user product manufacturers. The seasonality of our operations is affected by the festive seasonality as the shipments from the Singapore and Wuxi-based facilities also cater for global consumer demand.

6.2 PRODUCTION PROCESSES

As our Group has two (2) business divisions, being the precision cleaning division and the plastic injection moulding division, the technology, production processes and technical teams are different for each division. Both MClean Singapore and Techsin Wuxi receive orders through POs received from their respective customers throughout the year. Each object to be cleaned generally goes through the same washing process which may vary slightly depending on the type of objects being cleaned. Similarly, each product from the plastic injection moulding process goes through the same process and may vary slightly depending on the type of product being produced.

The pre-qualification procedures, production process flowchart and quality control and assurance procedures practiced under our core divisions are as described hereunder.

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6. BUSINESS OVERVIEW (Cont'd)

6.2.1 Our Precision Cleaning Pre-Qualification

Precision cleaners need to be qualified before it can provide precision cleaning services to HDD customers. The steps below describe the pre-qualification procedure for our precision cleaning services:

- (i) Propose a process flow chart including production facility, raw material preparation, testing and working team to the customer which generally includes the following:-
 - (a) Methodology of precision cleaning process;
 - (b) Raw materials for use in the process (e.g. water quality, detergent and polymer bags) as well as the suppliers list;
 - (c) A series of quality tests and procedures;
 - (d) Proposed production line for specified objects such as cassette, tray, etc. to be washed.
- (ii) Upon acceptance of the proposed process flow, customers will perform on-site assessment of our proposed service.
- (iii) A PO will be signed upon agreement between our customers and our Group.

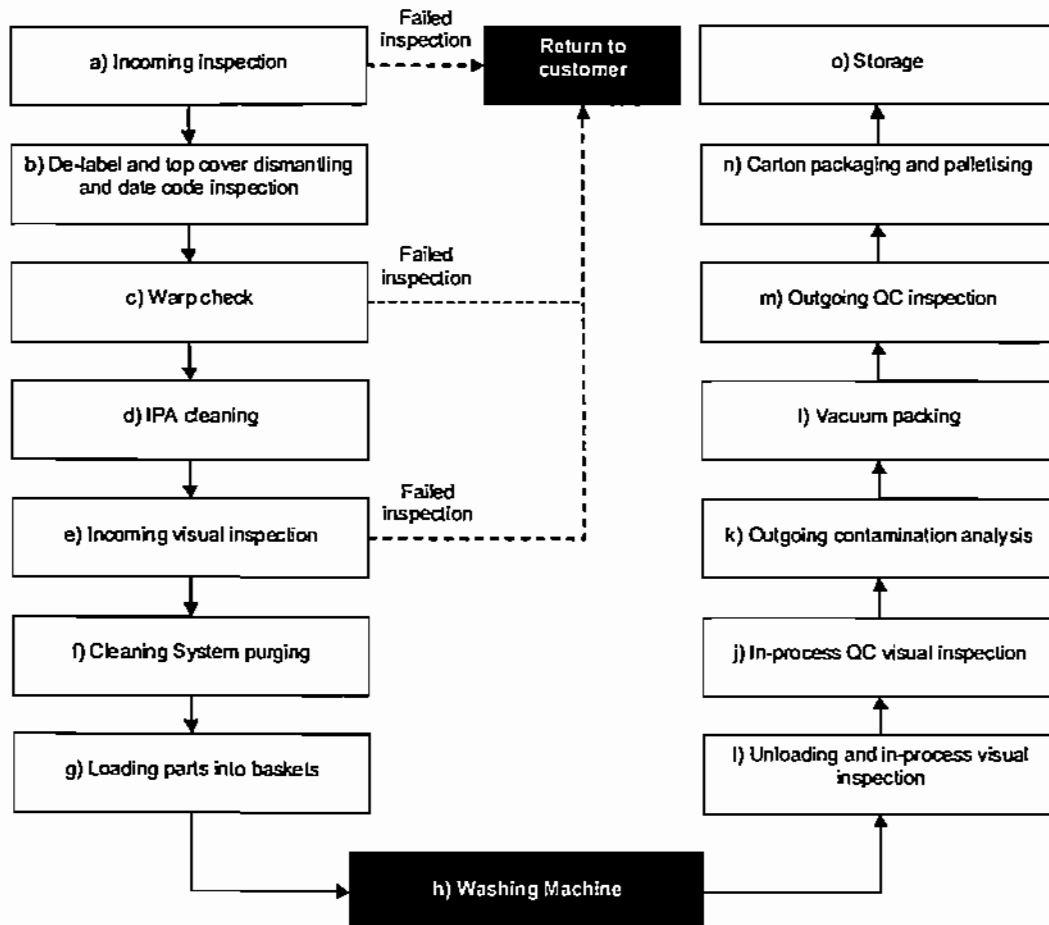
The entire pre-qualification typically takes approximately one (1) year to complete before the approval is given by the customer, especially if the supplier is totally new and have no historical track record with the customer.

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6. BUSINESS OVERVIEW (Cont'd)

6.2.2 Our Precision Cleaning Process

The precision cleaning division of our Group operates in our respective facilities in Woodlands, Singapore and Wuxi, the PRC. The flow chart below shows the operational process for our precision cleaning division:-




Stage (h) is automated whereas the rest of the stages are conducted manually with semi-skilled labour. In terms of the cleaning process, stages (f) to (i) are conducted under a Clean Room environment.



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6. BUSINESS OVERVIEW (Cont'd)




Further details of each stage of the precision cleaning process are set out in the table as follows:-

No.	Production Stage	Process Details
(a)	Incoming inspection	<ul style="list-style-type: none"> The first step in our cleaning process is to carry out an incoming inspection on the objects received from customers. The quantity, part number and carton damage have to be checked. In the event of erroneous information or damage to the incoming objects, the customer is informed and the aforementioned objects are deemed rejected goods and returned to the customer.
(b)	De-labelling, top-cover dismantling and date code inspection	<ul style="list-style-type: none"> Labels are removed from the objects when present or else the process will be skipped. When labels are present on the object, the date code on the item is checked according to a standard reference for that item. The date code serves as an "expiry date" check for the product, indicating whether the item may still be cleaned or needs to be rejected. Rejected objects will be kept separately and to be verified and disposed by the customer once a week.
(c)	Warp check 	<ul style="list-style-type: none"> The objects to be washed are given a warp check to ensure no distortions or twists in the shape of the object's body. Any distorted or twisted objects will be rejected. Rejected objects will be kept separately and to be verified and disposed by the customer.

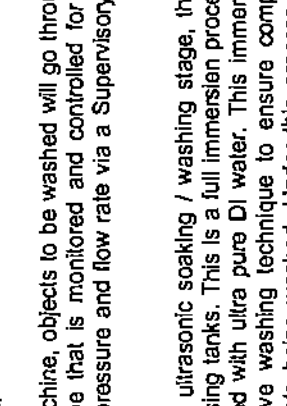
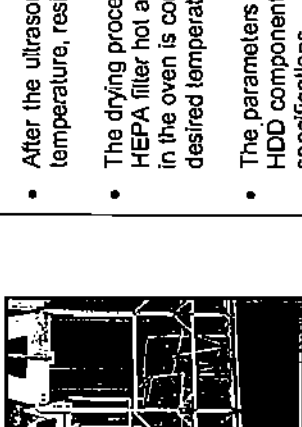
6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(d)	<p>IPA cleaning</p> 	<ul style="list-style-type: none"> • IPA is used as a cleaning fluid to remove adhesives or stains on the objects as a result of the labels. • Any label adhesives or stains are removed as part of the set parameters/specifications imposed by our customers.
(e)	<p>Incoming visual inspection</p> 	<ul style="list-style-type: none"> • The operators in our cleaning lines will carry out a visual inspection manually to detect any wrong or mixed parts that may have been put together, or damage such as chips, cracks, deformities, stains, adhesives, stickiness, scratches, cassettes data code, number of cycles and loose parts in the objects to be cleaned. • Any object which fails inspection will be rejected. Rejected objects will be kept separately and to be verified and disposed by the customer.


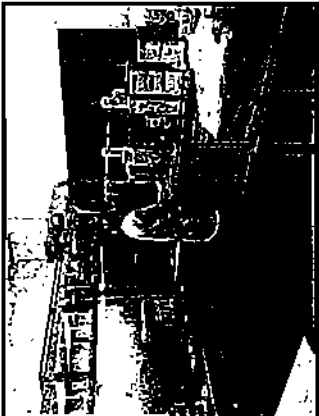
6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(f)	<p>Cleaning System purging</p> 	<ul style="list-style-type: none"> • Before moving to the next washing stage, the cleaning system is purged and cleaned. The first washing tank with detergent is refilled with a new detergent mixture and the 4 other rinsing tanks are purged and filled with fresh DI water. This is to ensure that the system is free of contaminants from the previous wash to prevent any cross contamination. • The purging function ensures that there is no cross contamination from one washing process to the next washing process. • The purging is carried out each time an object that is different from the previous object undergoes the washing process as each type of object carries a different type of contaminant.
(g)	<p>Loading Objects into baskets</p>  	<ul style="list-style-type: none"> • Objects that are free of damage are loaded into the baskets for washing once the Cleaning System has been purged.


6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	In-Process Details
(n)	<p>Washing Machine</p>  	<ul style="list-style-type: none"> • Upon loading the baskets, the washing machines will automatically pick up and load the basket into the machine. • Within the Washing Machine, objects to be washed will go through a hot surfactant ultrasonic soaking / washing stage that is monitored and controlled for various parameters including duration, temperature, pressure and flow rate via a Supervisory Control and Data Acquisition ("SCADA") system. • After the hot surfactant ultrasonic soaking / washing stage, the objects go through four (4) ultrasonic cleaning / rinsing tanks. This is a full immersion process where the objects are fully immersed in a tank filled with ultra pure DI water. This immersion technique with ultrasonic sonication is an effective washing technique to ensure completeness and consistency of cleanliness of the objects being washed. Under this process, monitoring parameters via a SCADA system will be used to ensure the correct cleaning processes are carried out. • After the ultrasonic cleaning process, the objects will be rinsed with a DI water spray where temperature, resistivity, pressure and flow rate of the DI water are controlled. • The drying process is the last stage in the washing machine. Objects will be dried by using the HEPA filter hot air via a convection oven incorporated in the cleaning system. The temperature in the oven is constantly monitored and regulated to ensure that the parts are dried at only the desired temperature as over heating of the parts will cause damages. • The parameters used for the washing of different objects will vary according to the item (i.e. HDD components, trays, plastics and media cassettes) and based on client requirements or specifications.
(i)	<p>Unloading and production in-process visual inspection</p>	<ul style="list-style-type: none"> • Objects will be unloaded from the baskets upon completion of the Washing Machine process. At the same time, the same inspection performed in (e) above will be carried out again.

6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(j)	<p>In-process QC visual inspection</p> 	<ul style="list-style-type: none"> QC personnel will conduct periodic in-process QC inspection to ensure that the cleaning processes are within the set limits. In the event of any anomalies being detected, the QC personnel will alert the Engineering and QA personnel to rectify such problems.
(k)	<p>Out-going contamination analysis</p> 	<ul style="list-style-type: none"> Before shipping out to customers, the washed objects will continue undergoing an outgoing cleanliness testing. This testing includes particle count of 0.3 µm size, ionic contamination of less than 5 ppb and non volatile residue and FTIR to check the presence of Silicon and Amides. Sample lots that fail the test will be put on hold for disposition by QA and Production. In most cases, the whole lot will be returned to production for rewashing.
(l)	<p>Vacuum packing</p>	<ul style="list-style-type: none"> After cleaning and inspections, the object will be packed using the vacuum packing method, in double layers of Clean Room polymer bags from manufacturers that have been pre-approved by our customers. This process is to ensure that the objects can be transported to the customer's premises without being contaminated during the journey.

6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(m)	<p>Outgoing QC inspection</p> 	<ul style="list-style-type: none"> • The objects need to be inspected a final time after packing to ensure that the packed objects are securely sealed and ready for transportation. • The inspection methods as set out in (c) to (e) above are used.
(n)	<p>Carton packaging and palletising</p>	<ul style="list-style-type: none"> • The objects will then be packed into carton boxes for delivery. The production lot numbers, labels and box integrity will be checked.
(o)	<p>Storage</p>	<ul style="list-style-type: none"> • The finished objects will be stored on site prior to delivery to the customers.

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6. BUSINESS OVERVIEW (Cont'd)

6.2.3 Our Plastic Injection Moulding Pre-Qualification

The plastic injection moulding machines need to be qualified before it can provide plastic injection moulding services to our customers. The steps below describe the pre-qualification procedure for our plastic injection moulding services:

- (i) Propose a process flow chart including tool designs, machine modification, moulding parameters and testing to the customer which generally includes the following:-
 - (a) Proposed tool design for manufacturing;
 - (b) Machine modification for the designed tool;
 - (c) Assemble tool and adjust moulding parameters;
 - (d) Tests and measurements; and
 - (e) Submit First Article¹ ("FA") for specified HDD components such as filter, media cassettes and trays to be produced.
- (ii) Upon acceptance of the proposed process flow, customers will verify the designed tool and moulding parameters for specified objects prior to the mass production.
- (iii) A PO will be signed upon agreement between our customers and our Group.

The entire pre-qualification process typically takes 6 to 15 months to complete for plastic injection moulding of HDD components before the approval is given by the customer, especially if the supplier is totally new and have no historical track record with the customer. For other plastic injection moulding, the entire pre-qualification process is generally shorter in 3 to 6 months.

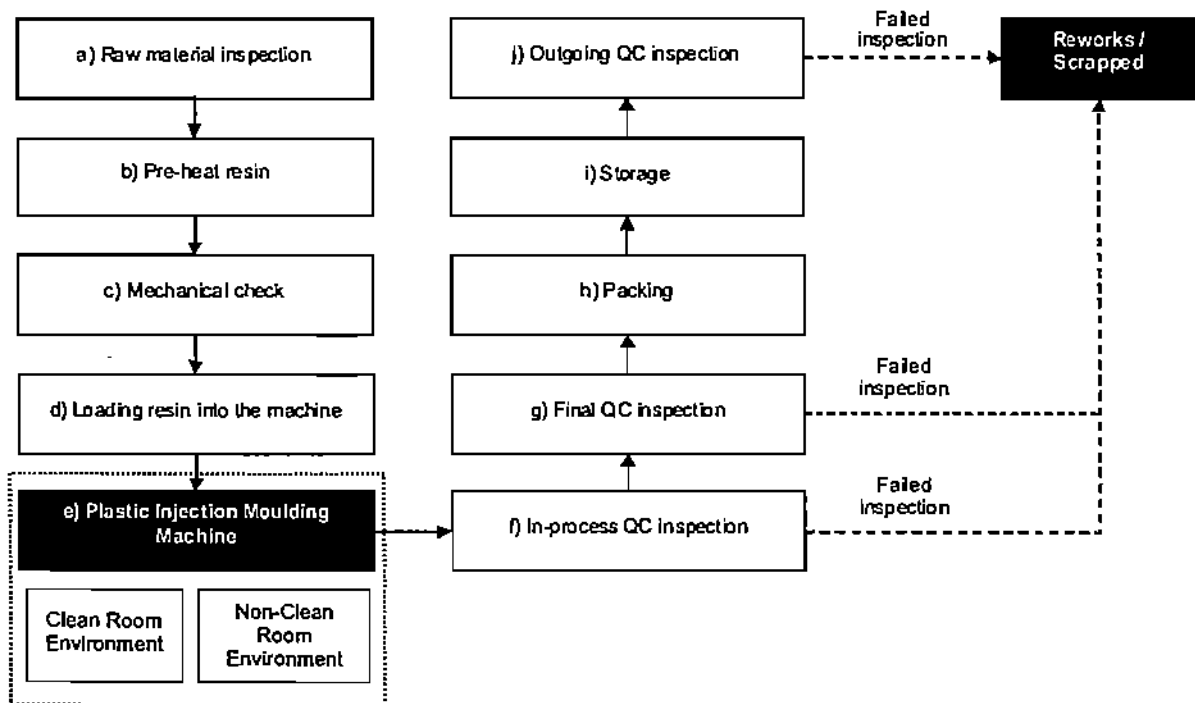
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¹ FA submission represents the first moulded prototype to be submitted to the customer.

6. BUSINESS OVERVIEW (Cont'd)

6.2.4 Plastic Injection Moulding Process

The plastic injection moulding division of our Group only operates in our facility in Wuxi, the PRC. The flow chart below shows the operational process for our plastic injection moulding division:-

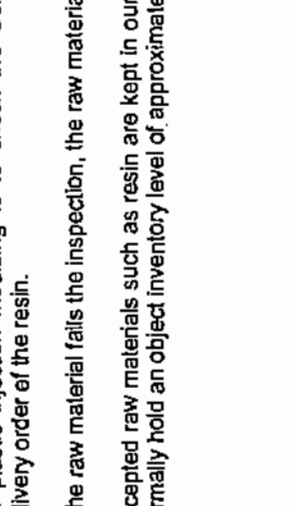
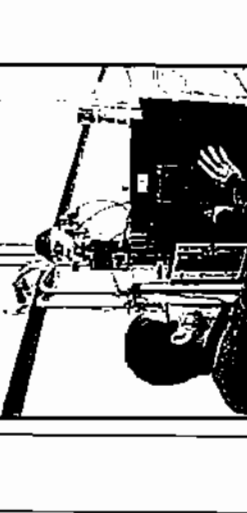


Stage (e) is automated whereas the rest of the stages are conducted manually with semi-skilled labour.

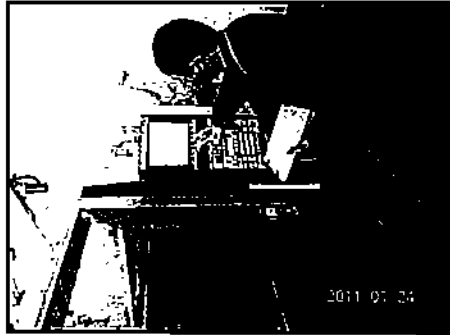
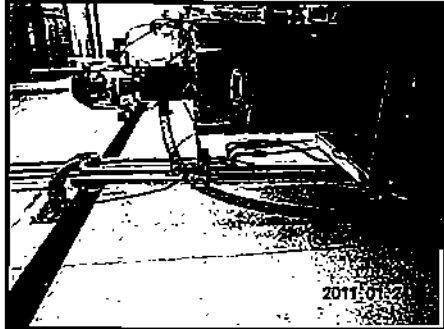
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6. BUSINESS OVERVIEW (Cont'd)

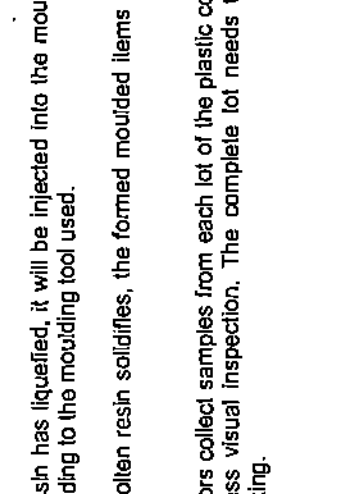
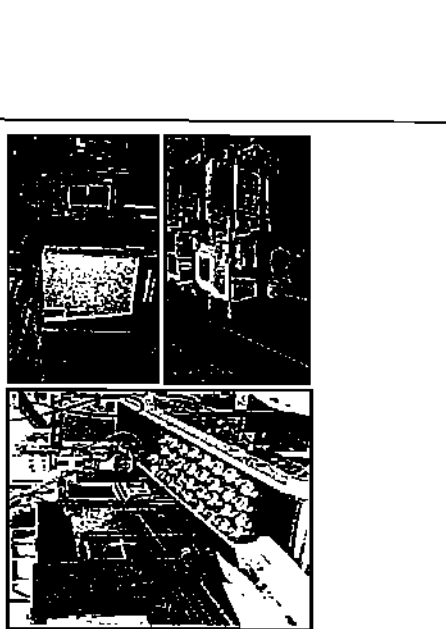
Further details of each stage of the plastic injection moulding process are set out in the table as follows:-

No.	Production Stage	Process Details
(a)	Raw material inspection 	<ul style="list-style-type: none"> • Resin is the key raw material in the plastic injection moulding production. The first step in our plastic injection moulding is to check the Certificate of Compliance, quantity, and delivery order of the resin. • If the raw material fails the inspection, the raw material will be returned to the supplier. • Accepted raw materials such as resin are kept in our plant's storehouse to be utilised. We normally hold an object inventory level of approximately 1 month at any one time.
(b)	Pre-heat resin 	<ul style="list-style-type: none"> • Before loading the resin into the plastic injection moulding machine, the resin, which is drawn from our storehouse in solid form, needs to be pre-heated at about 100°C for approximately 4 hours to remove any water content of the resin. Throughout the pre-heating, the resin retains their solid form.

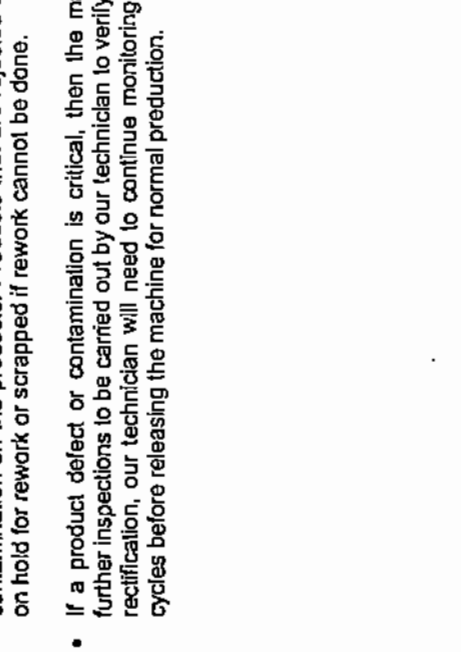

6. BUSINESS OVERVIEW (Cont'd)

Item No.	Production Stage	Process Details
(c)	<p>Mechanical check</p> 	<ul style="list-style-type: none"> • Done concurrently with process (b), technicians will perform checks on the moulding machines' key parameters including temperature, speed and pressure. • Each item that needs to be produced requires a different set of parameters based on validated settings.
(d)	<p>Loading resin into the machine</p> 	<ul style="list-style-type: none"> • The dried pre-heated resin is loaded into the plastic injection moulding machine.

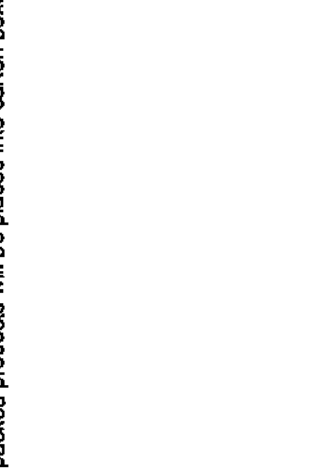
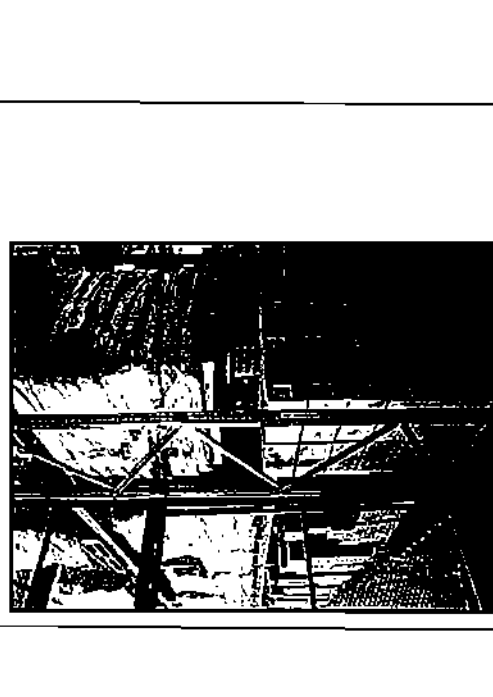
6. BUSINESS OVERVIEW (Cont'd)

IS No.	Production Stage	Process Details
(e)	<p>Plastic Injection Moulding Machine</p>  	<ul style="list-style-type: none">• After loading, the second heating process will be carried out inside the plastic injection moulding machine to heat the resin to melting point.• After the resin has liquefied, it will be injected into the moulding tool to form the moulded items according to the moulding tool used.• After the molten resin solidifies, the formed moulded items will be deposited into a plastic container.• Our operators collect samples from each lot of the plastic container after every 2 hours for an in-process visual inspection. The complete lot needs to be sent for final inspection before packing.


6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(f)	<p>In-process QC inspection</p> 	<ul style="list-style-type: none"> • Our operators will carry out a visual inspection manually to detect any product defect or contamination on the products. Products that are rejected at this stage will either be put on hold for rework or scrapped if rework cannot be done. • If a product defect or contamination is critical, then the machine would be stopped for further inspections to be carried out by our technician to verify and rectify the problem. After rectification, our technician will need to continue monitoring the products for the next 30 cycles before releasing the machine for normal production.
(g)	<p>Final QC inspection</p> 	<ul style="list-style-type: none"> • The final inspection in our plastic injection moulding process is to double-check the appearance of the product to ensure it meets the customer requirements. • Rejected products will be removed for reworks or scrapped if rework cannot be done.

6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(h)	<p>Packing</p> 	<ul style="list-style-type: none"> Finished products will be packed in Clean Room polymer bags based on customers' requirements. The packed products will be placed into carton boxes and stored.
(i)	<p>Storage</p> 	<ul style="list-style-type: none"> The finished products will be stored in our premises prior to delivery to our customers.

6. BUSINESS OVERVIEW (Cont'd)

No.	Production Stage	Process Details
(j)	Outgoing QC Inspection 	<ul style="list-style-type: none">The finished products need to be inspected to ensure that the packed products are securely sealed and ready for transportation. Rejected products will be held back for reworks or scrapped if rework cannot be performed.

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6. BUSINESS OVERVIEW (Cont'd)

6.3 TYPES, SOURCES AND AVAILABILITY OF PRODUCTION INPUTS / RAW MATERIALS

(i) Critical production inputs / raw materials

In the cleaning business, we rely on a continuous supply of fresh piped water, electric power and manpower. The piped water is treated by our own internal DI Plant to remove all contaminants in the water prior to supply to our production.

We are in a unique service industry where water is our only key raw material for precision cleaning. Supply of water is fairly consistent and the quality of water needs to be channelled into our production. We use our internal water quality control system to prepare the water that we need as part of our precision cleaning system. The surfactants and detergents used in our precision cleaning processes are readily available but must be sourced from a list of vendors that have been approved by our customers.

Additionally, electricity is also a key production input for both our cleaning lines and the plastic injection moulding operations.

For plastic injection moulding, the raw material, resins are usually specially formulated by the suppliers specified by our customers. Since the resins are unique to our customers, our customer will have a long term pricing agreement directly established with such resins suppliers. Therefore, we are not affected by the volatile movements of the resin prices as the prices have been fixed between our supplier and customers.

(ii) Non-critical production inputs / raw materials

In addition to the critical production inputs / raw materials as set out in (i) above, we also procure outsourced logistic services and Clean Room packaging materials such as polymer bags from external suppliers. While these form a major component of our cost structure, we are not dependent on any one supplier for the supply of such production inputs / raw materials as they are readily available at competitive prices and could easily be substituted without any material adverse impact on our operations.

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6. BUSINESS OVERVIEW (Cont'd)

6.4 TECHNOLOGY USED

(i) Aqueous washing technology

The technology used in our precision cleaning facilities is the "Aqueous Washing Method", which utilises DI water as the washing medium in our precision washing machine. DI water and surfactant system uses heat, high-pressure water jet spray, ultrasonic aggravation in submersible tanks and turbulent flushing techniques to remove surface contaminants. Thereafter, the cleaned objects go through a drying cycle after washing. This technology is widely used and recognised in precision cleaning for the HDD industry. As at the Latest Practicable Date, we have a total of seven (7) cleaning lines utilising the aqueous washing technology.



(An illustration of our precision cleaning machines)

(ii) Water purification technology

Our DI water plant is used to purify the water used in our washing lines. The purification is performed by taking raw water from an external water source and filtering it using several filters including a carbon filter, a chlorine filter, a reverse osmosis filter, an antiscalant, a mixed bed DI, and an antibacterial filter. Our DI plant is designed by using medical grade piping which is welded smoothly to minimise dust entering the pipes and contaminating our DI water. Our existing DI plant in Singapore is able to purify 40 gallons of water per minute whereas our existing DI plants in the PRC are able to purify 40 gallons of water per minute at the New Plant and 15 gallons of water per minute at our other facility in Wuxi.



(An illustration of our DI water plant)

6. BUSINESS OVERVIEW (Cont'd)

(iii) Clean Room technology

A Clean Room is where the contamination level in that space is controlled within a known contaminant level, and allows precision cleaning processes to be performed. Contaminants in this industry refer to minute objects, with sizes ranging down to sub-micron levels. Clean Rooms may be classified as Class 100 or other classes (e.g., Class 1,000), with the number indicating the number and size of particles of size 0.3 μm or larger permitted in a cubic foot of air in the room. Following from the acquisition of the New Plant, we have three (3) of each of the Class 100, Class 1,000 and Class 10,000 Clean Rooms.



(An illustration of our Clean Room, Class 1,000 production floor)

(iv) Ultrasonic sonication technology

Ultrasonic cleaning employs cleaning devices that use ultrasound (usually from 15-400 kHz) to clean delicate objects. In an ultrasonic cleaner, the object to be cleaned is placed in a chamber containing a suitable ultrasound conducting fluid (an aqueous or organic solvent, depending on the application). An ultrasound generating transducer is built into the chamber, or may be lowered into the fluid. It is electronically activated to produce ultrasonic waves in the fluid. The main mechanism of cleaning action is by energy released from the creation and collapse of microscopic cavitation bubbles, which break up and lift off dirt and contaminants from the surface to be cleaned. Ultrasonic sonication technology is utilised in all our aqueous cleaning lines as mentioned in Section 6.4(i) above.

(v) Process control and protocols

Precision cleaning requires a stringent set of process control and protocols to be designed prior to the cleaning process being initiated for each part being cleaned. The process controls include but are not limited to parameters such as the cleaning cycle duration, temperature, pressure and chemical properties of the cleaning agent. Furthermore, the protocols that need to be adhered to include Clean Room standards and procedures. The design of such process control and protocols is critical to ensure the efficiency and effectiveness of the cleaning process.

6. BUSINESS OVERVIEW (Cont'd)

6.5 R&D

From the FYE 2007 to FYE 2009, we do not have any R&D policies and R&D activities.

During the FPE 2010, our Group capitalised pre-qualification costs incurred at our New Plant amounting to an aggregate of RM597,789 under development costs. The development costs recognised relate to those costs and expenses incurred by Techsin Wuxi for the trial production runs at our New Plant prior to qualification. Such expenses include testing and maintenance of the plant and machineries prior to being qualified and other operational expenses.

Pursuant to the Company's accounting policy, development costs are expensed in the period in which they are incurred except when such costs incurred on development projects are recognised as development assets to the extent that such expenditure is expected to generate future economic benefits.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, on a systematic basis over their expected useful lives, not exceeding five (5) years.

The carrying amount of development assets are reviewed annually and written down immediately to their recoverable amount where an indication of impairment exists, in accordance with Financial Reporting Standard (FRS) 136.

The development costs represent approximately 2.0% of our proforma Group's revenue for the FPE 2010.

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6. BUSINESS OVERVIEW (Cont'd)

6.6 LOCATIONS, PROPERTIES, PLANT AND EQUIPMENT

6.6.1 Key Information on Principal Location of Business, Plants and Production Facilities

Our Group does not own any properties or real estate. All the landed properties occupied by our Group are leased. The details of our principal place of business and production facilities of our Group as at the Latest Practicable Date are set out below:-

Location	Description of Property	Existing Use	Approximate Land / Built-up Area	Age of Property	Registered Owner/Lessor	Lessee	Monthly Rental/ Lease Consideration	Tenure/ Date of Expiry of Lease
2 Woodlands Sector 1 # 01-22 Woodlands Spectrum Singapore 738068	2-storey flatted factory building with mezzanine floor with dedicated loading area and car park lots	<ul style="list-style-type: none"> - Principal office for our Group - Precision cleaning facility - Warehouse for work-in-progress objects and finished goods 	⁻⁽¹⁾ / 4,861 sq m	11 years	DBS Trustee Limited as trustee of Mapletree Industrial Trust	MClean Singapore	SGD48,936 / RM117,344 (inclusive of 7% GST and service charge)	31 August 2012
2 Woodlands Sector 1 #01-29 Woodlands Spectrum Singapore 738068 ("Unit 01-29")	Stand-alone warehouse in a 2-storey terraced building with mezzanine floor with dedicated loading area and car park lots	Warehouse for work-in-progress objects and finished goods	⁻⁽¹⁾ / 1,968 sq m	11 years	DBS Trustee Limited as trustee of Mapletree Industrial Trust	MClean Singapore	SGD19,078 / RM45,747 (inclusive of 7% GST and service charge)	30 April 2014
No. 83-C Land, New & High Technology Development District of Wuxi City, Jiangsu Province, PRC (the "New Plant")	Stand-alone factory in a 1-storey detached building with mezzanine floor with dedicated loading area and car park lots	<ul style="list-style-type: none"> - Precision cleaning facility - Warehouse for work-in-progress objects and finished goods 	5,565.9 sq m / 6,232.64 sq m	6 years	Owner- Wuxi New Area South Street Xufeng Village Committee Lessor- Wuxi Xufeng Premise Management Co., Ltd.	Techsin Wuxi	RMB90,997 / RM42,377	31 March 2012

6. BUSINESS OVERVIEW (Cont'd)

Location	Description of Property	Existing Use	Approximate Land / Built-up Area	Age of Property	Registered Owner/lessor	Leasee	Materially Significant Contribution	Term/ Date of Expiry/ Lease
No. B61 Land, New & High Technology Development District of Wuxi City, Jiangsu Provinca, PRC	Stand-alone factory in a 1-storey detached building with mezzanine floor with dedicated loading area and car park lots	Precision cleaning and plastic injection moulding facility	(1) / 4,000 sq m	6 years	Owner:- Wuxi Meicun Economy Development Co., Ltd. Lessor:- Wuxi New Area Mei Village Industrial Centralization Area Management Committee	Techsin Wuxi	First year:- RMB36,000 / RM16,765 Second year:- RMB44,000 / RM20,491 Third year:- RMB48,000 / RM22,354	31 January 2012

Note:

(1) Land area is not applicable as the lettable area pursuant to the lease agreement pertains to only built-up area.

As at the Latest Practicable Date, there are no material breaches of any law, rules and building regulations including land-use conditions or permissible land use which may result in a potential adverse material impact to our Group in relation to the properties leased.

Our Directors are not aware of any regulatory requirement or environmental issue which may materially affect our operations and the utilisation of our Group's assets.

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6. BUSINESS OVERVIEW (Cont'd)

6.6.2 Key Information on Our Material Plant and Equipment

The details of the material plant and equipment held and owned by our Group as at the Latest Practicable Date are set out below:-

MClean Singapore

Key Production Facilities	NBV as at 31 October 2010 (RM)	Operation Date	Description
Line 1 (1 unit)	433,850	August 2004	Precision cleaning for HDD components, HDD trays and HDD media cassettes
Line 2 (1 unit)	212,507	March 2005	
Line 3 (1 unit)	389,595	March 2005	
Line 4 (1 unit)	733,699	December 2006	

Techsin Wuxi

Key Production Facilities	NBV as at 31 October 2010 (RM)	Operation Date	Description
Line 1 (1 unit)	430,379	October 2006	Precision cleaning for HDD components, HDD trays and HDD cassettes
Line 2 (1 unit)	591,651	January 2008	
Line 3 (1 unit)	1,261,052	July 2010	
Electric Injection Machine (3 units)*	588,709	February 2008	Manufacture of plastic moulding using electric power for higher precision level
Electric Injection Machine (3 units)*	511,490	July 2008	Manufacture of plastic moulding using electric power for higher precision level
Hydraulic Injection Machine (6 units)*	498,074	April 2007	Manufacture of plastic moulding using hydraulic power for lower precision level
Electric Injection Machine (3 units)*	96,926	May 2010	Manufacture of plastic moulding using electric power for higher precision level

Note:-

* The total tonnage of these 15 units of injection machines ranges from 50 to 360 tonnes.

Please refer to Section 6.6.3 of this Prospectus for details of the production capacity and utilisation rate of our abovementioned production facilities.

6. BUSINESS OVERVIEW (Cont'd)

The details of the other key supporting plant and equipment held by our Group which are critical to our operation are as follows:-

Key Equipment	Size/Capacity	Classification	NBV as at 31 October 2010 (RM)
MClean Singapore			
Clean Room	2,000 sq feet	100	994,910
Clean Room	5,000 sq feet	1,000	
DI water purification plant	40 gallon/min	N/A	
Techsin Wuxi			
Plastic injection moulding Clean Room	2,582 sq feet	10,000	571,319
Clean Room	1,291 sq feet	100	
Clean Room	1,345 sq feet	1,000	
Clean Room	430 sq feet	10,000	
DI water purification plant	15 gallon/min	N/A	
Techsin Wuxi – New Plant**			
Clean Room	5,552 sq feet	100	419,490
Clean Room	1,808 sq feet	1,000	
Clean Room	3,357 sq feet	10,000	
DI water purification plant	40 gallon/min	N/A	

Note:-

** Please refer to Section 6.6.4 below for further information on the New Plant.

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6. BUSINESS OVERVIEW (Cont'd)

6.6.3 Our Production Capacity and Actual Production Output

The production capacity and actual production output of our plant and equipment are set out as follows:-

Production	Washing Capacity per month (units)	Actual Production Output per month (units) ⁽¹⁾		Utilisation Rate (%)	
		2010 ⁽²⁾	February 2011 ⁽³⁾	2010 ⁽²⁾	February 2011 ⁽³⁾
MClean Singapore					
Cassette Washing					
Line 1	252,200	249,500	239,000	98.9	94.8
Line 3	265,200	263,000	247,000	99.2	93.1
Line 4	390,000	325,000	261,000	83.3	66.9
Total Capacity	907,400	837,500	747,000	92.3	82.3
Tray Washing					
Line 2	663,000	402,000	377,000	60.6	56.9
Total Capacity	663,000	402,000	377,000	60.6	56.9
Techsin Wuxi					
Cassette Washing					
Line 2	208,000	185,500	178,000	89.2	85.6
Line 3	260,000	175,000 ⁽⁴⁾	125,000	67.3	48.1
Total Capacity	468,000	360,500	303,000	77.0	64.7
Tray Washing					
Line 1	520,000	381,000	325,000	73.3	62.5
Total Capacity	520,000	381,000	325,000	73.3	62.5

Notes:-

(1) The washing capacity per month is computed based on the cycle time per basket, multiplied by the number of objects per basket and the number of machine working days, excluding downtime for maintenance and on the assumption that the machines operate at 100% efficiency. Specifically, the capacity is computed based on 26 machine working days per month at full capacity for 21 hours per working day. The remaining 4 days and 3 hours in the working days are allocated for maintenance purposes.

The actual production output is based on the daily record of the machines' outputs over a month, rounded up to the nearest 1,000.

(2) Based on average per month over the year 2010.

(3) Being the full calendar month preceding the Latest Practicable Date.

(4) Techsin Wuxi's Line 3 was only qualified for cassettes washing in October 2010 and only commenced operational production in November 2010. The washing capacity reflects the production output for December 2010 only.

6. BUSINESS OVERVIEW (Cont'd)

The lower utilisation rate of MClean Singapore's Line 4 is due to the line being utilised for precision cleaning of other HDD components in addition to HDD cassettes. As a result, the line is required to be purged more often than usual for cleaning of different HDD components so as to ensure no cross contamination. The process of each purging takes approximately 1.5 hours which therefore lowers the utilisation rate for the line.

The tray washing under MClean Singapore's Line 2 serves as a support washing line to the HDD components washing. As the trays are generally delivered together with the components to be washed, the actual amount of trays washed are dependent on the amount of HDD components washed. As a result of this, the utilisation rate of MClean Singapore's Line 2 is correlated to HDD components washed by MClean Singapore.

The utilisation rate for Techsin Wuxi's Lines 1, 2 and 3 is generally lower on the average as we are currently undergoing our facility expansion plan in the PRC to cater for the increased orders from one of our major customers following an increase of outsourcing needs of precision cleaning by their PRC operations.

For the plastic injection moulding machines, based on the machines operating schedules, we are operating at an average of 36.7% of our maximum capacity for the FYE 2010, with a low of 25.4% and a high of 56.8% during the financial year. The overall low utilisation rate of our plastic injection moulding machines was due to our Group's focus on the lower volume but higher value injection moulding for precision component parts for HDD during the FYE 2010, as evident in our significant increase in revenue for injection moulding from approximately RM2.20 million for the FPE 2009 to approximately RM4.69 million for the FPE 2010, while the gross profit margin has also increased significantly from 18.74% to 32.77% during the same period.

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6. BUSINESS OVERVIEW (Cont'd)

6.6.4 Our Facilities Expansion Plan

In order to capitalise on the growth trend of the HDD industry in the near term and the significance of the PRC market for precision cleaning for the HDD industry, we have embarked on an expansion plan of our facility in the PRC by way of acquisition of assets of an existing facility within proximity to our existing facility in Wuxi, the PRC in the form of the New Plant as described below.

The acquisition of the New Plant, which was completed on 31 March 2010, provided an opportunity for Techsin Wuxi to expand its PRC precision cleaning operations as opposed to building a new precision cleaning plant. The acquisition of the New Plant as described herein relates to the acquisition by Techsin Wuxi of certain office and manufacturing facilities such as Clean Rooms, air-conditioning system, DI water plant and power transformer from Fujikura (excluding the land and building). The offices and floorspace for the manufacturing facilities are continued to be leased from the landlord, details of which are set out in Section 6.6.1 of this Prospectus. The salient terms of the lease in addition to those set out in Section 6.6.1 above are as follow:-

- (i) **Sublease:** Techsin Wuxi could sublease the property to other parties only under the lessor's consent in writing;
- (ii) **Premature Termination:** Techsin Wuxi may terminate the lease with a notice to the lessor in writing three (3) months in advance only, and the lessor will not refund the Deposit as set out in term (v) below;
- (iii) **Renewal:** Techsin Wuxi shall negotiate with the lessor three (3) months prior to the expiration date of the lease if Techsin Wuxi intends to renew the lease;
- (iv) **Settlement of Disputes:** The parties to the lease agreement shall attempt in the first instance to resolve any dispute via friendly consultations. In the event such dispute is not resolved through consultations within 30 days, any party may submit the dispute for arbitration in Wuxi Arbitration Commission, and all costs shall be borne by the losing party, unless otherwise determined by the arbitration tribunal; and
- (v) **Deposit:** Techsin Wuxi shall pay a deposit equal to three (3) months rentals in advance. Within one (1) week from the date of execution of the lease agreement, Techsin Wuxi shall pay 50% of the Deposit, while the remaining 50% shall be paid after the transfer of the assets of Fujikura, but not later than 31 March 2010. The Deposit may be set off against the rentals of the last three (3) months.

The New Plant is fully operational with the pre-requisite plant and equipment that were acquired from Fujikura, including:-

- (i) a 5,552 sq feet Class 100 Clean Room;
- (ii) a 1,808 sq feet Class 1,000 Clean Room;
- (iii) a 3,357 sq feet Class 10,000 Clean Room;
- (iv) an air-conditioning system;
- (v) a 40 gallons per minute capacity DI water plant; and
- (vi) a 1.6 Kilovolt-Ampere (KVA) power transformer, amongst others.

6. BUSINESS OVERVIEW (Cont'd)

The decision to acquire the New Plant was motivated by the time and significant cost savings arising from acquiring an almost fully functional cleaning facility at a relatively low price of RMB900,000 (equivalent to approximately RM419,130), as opposed to constructing and commissioning a new plant with similar manufacturing facilities for our expansion plan. We estimate that the cost to construct a similar Class 100 Clean Room alone is approximately USD1.00 million (or approximately RM3.06 million).

Gradually, we intend to relocate our precision cleaning Clean Room facility from our existing facility in Wuxi, the PRC to the New Plant, such that the existing facility would solely be involved in the plastic injection moulding operations while the New Plant would solely be involved in precision cleaning operations. We expect this segregation of operation to greatly enhance our operating efficiencies due to the availability of space and the relevant supporting infrastructures for the respective operations.

The New Plant was qualified and completed at the end of July 2010 and the first (1st) production qualification commenced in August 2010. We have subsequently commenced operational production in November 2010.

We expect the entire facilities expansion plan to be completed by July 2011. Upon the New Plant being commissioned and fully operational, we expect to increase our PRC precision cleaning operations after taking into consideration:-

- (i) the two (2) new additional high capacity cassette and cover washing lines with the first (1st) being installed in April 2010 and the second (2nd) by the first half of 2011. The first (1st) line has a monthly capacity of approximately 260,000 cassettes and is currently fully operational, while the second (2nd) line will have a monthly capacity of approximately 4 million covers; and
- (ii) the two (2) new CO₂ cleaning lines, the first (1st) of which is expected to be installed by the first (1st) half of 2011. These precision cleaning lines are used for the cleaning of HDD magnet and MBA and are expected to have a monthly capacity of 396,000 units of magnets and 180,000 units of MBA.

Upon completion of the facilities expansion plan, our PRC operations would have two (2) cassette washing lines, one (1) tray washing line and one (1) cover washing line, as well as two (2) CO₂ cleaning lines. Notwithstanding that, it should be noted that the cassette and cover washing lines are interchangeable depending on product specifications and type.

With the relocation of our precision cleaning operation to the New Plant, there will be more space available for the expansion of our plastic injection moulding facility. However, we do not have any immediate plans to expand our current plastic injection moulding facility.

The additional capital expenditure for the second (2nd) cassette and cover washing line and the CO₂ cleaning lines of approximately RM1,920,000 is proposed to be funded entirely via the proceeds from the Public Issue (details of which are set out in Section 3.10 of this Prospectus), while the relocation expenses of the existing two (2) cassette washing line and tray washing line of approximately SGD40,000 (equivalent to approximately RM95,916) is proposed to be funded via internally generated funds.

6. BUSINESS OVERVIEW (Cont'd)

6.7 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES (INCLUDING INTERESTS IN OTHER CORPORATIONS)

(a) Historical Material Capital Expenditures and Divestitures

Save as disclosed below, our current facilities expansion plan as set out in Section 6.6.4 above, and the Acquisitions, we have not incurred any material capital expenditure and divestiture (including interests in other corporations), during the Financial Years / Period Under Review up to the date of this Prospectus:-

Following from the discontinuation of the fabrication business undertaken by Techsin Wuxi, Techsin Wuxi had during FYE 2009 disposed off fixed assets related to its fabrication business to Janyang JCS Automation Co., Ltd for RMB2,085,697 (equivalent to approximately RM1,046,811 based on the exchange rate of RMB1 : RM0.5019) at its NBV, further details of which are set out in Section 11.2 of this Prospectus.

(b) Material Capital Expenditure and Divestiture In-Progress

Save for our current facilities expansion plan as set out in Section 6.6.4 above, there are no material capital expenditures and divestitures currently in progress, including the distribution of investments geographically.

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6. BUSINESS OVERVIEW (Cont'd)

6.8 MAJOR CUSTOMERS AND SUPPLIERS

8.8.1 Major Customers

Our major customers (being those contributing more than 10% of revenue) for the Financial Years / Period Under Review are as follows:-

Major Customers	Country of origin	Description of services provided	Percentage of M Cleanis proforma total revenue (%)				Approximate length of relationship (years)
			2007	2008	2009	FPE 2010	
Total Revenue (RM'000)			27,279	25,664	25,305	29,578	
Seagate Technology International	USA	Media cassettes cleaning, as well as other Clean Room related services	-	6.0	28.4	22.5	6
Seagate International Johor (M) Sdn Bhd	USA	Cleaning of media substrate cassettes	-	4.2	13.6	11.7	6
Donaldson	USA	Plastic Injection moulding of filter housing and cleaning of filters	6.8	9.6	11.2	9.1	6
Nidec Singapore Pte Ltd ("Nidec")	Japan	Clean Room inspection and cleaning of MBA	0.9	2.7	4.5	11.3	8
Hoya Magnetics	Japan	Media cassettes cleaning	12.0	11.1	7.4	6.6	7
MI Technologies	USA	Clean Room HDD components cleaning	3.8	10.1	7.0	5.3	6
Kato Spring (Singapore) Pte Ltd ("Kato Spring")	Japan	Clean Room HDD components cleaning	12.6	6.8	-	-	5
Minebea Technologies Pte Ltd ("Minebea")	USA	Clean Room inspection and cleaning of MBA	10.3	3.1	-	-	3

6. BUSINESS OVERVIEW (Cont'd)

Based on the above, we derived more than 53.2% and 43.3% of our consolidated revenue for the FYE 2009 and the ten (10)-month FPE 2010, respectively from two (2) major customers, namely Seagate via Seagate Technology International and Seagate International Johor (M) Sdn Bhd and Donaldson.

Seagate, currently headquartered in Dublin, Ireland, was founded since 1979 and is primarily focus on HDD and storage technologies. The company is one of the leaders in global high-end enterprise HDD and ranked second in the overall HDD market share. Seagate's final HDD assembly facilities are located in several countries, namely USA, the PRC, Malaysia, Singapore, Ireland and Thailand. (Source: *The IMR Report*).

Our relationship with Seagate started in 2004 indirectly through Seagate's component suppliers such as Nidec, MI Technologies and Donaldson Thailand Ltd whereby our services to them were ultimately destined for the Seagate AMK plant. Since then, Seagate Technology International and Seagate International Johor (M) Sdn Bhd had become our direct customers for the provision of media cassettes precision cleaning in April 2008 and July 2008, respectively.

Donaldson Company, Inc. provides filtration solutions and filtration systems for the industrial and diesel engine markets including in-plant air cleaning, compressed air and gas purification, power generation, HDD filtration, off-road equipment and trucks. Donaldson Company, Inc. currently accounts for 60% of the global HDD filtrations market. Techsin Wuxi is engaged by Donaldson for the injection moulding of plastic housing of HDDs and engine filters. Donaldson outsources its plastic injection moulding for the non-critical parts to Techsin Wuxi so as to streamline operations and optimise its resources. The increase in the contribution of Donaldson to our revenue from FYE 2007 to FYE 2009 is due to increased orders from Donaldson during the same period.

The significant increase in revenue contribution from Nidec in FPE 2010 is due to increasing orders from Nidec after the recovery of the economic downturn in 2008. Following from the changes in technological requirements by the HDD manufacturers, the contribution from Hoya Magnetics has shown a downward trend during the Financial Years / Period Under Review due to decreasing orders from Hoya Magnetics. The precision cleaning requirements of MI Technologies, Kato Spring and Minebea are predominantly specific to the product requirements of a particular HDD manufacturer. The revenue contribution from MI Technologies, Kato Spring and Minebea has shown significant decline during the Financial Years / Period Under Review due to a shift in demand from the HDD manufacturer following an industry consolidation exercise.

We believe that our consistently high level of service quality differentiates us from other manufacturers and creates a barrier of entry for potential new entrants, given the stringent qualification process enforced on component manufacturers and service providers by the HDD vendors. Further, most HDD vendors use Just-In-Time inventory management processes, which require them to work closely with their suppliers to ensure timely deliveries of supplies. Just-In-Time delivery enables these HDD vendors to maintain low inventory levels, hence the strong reliance on incumbent suppliers, like us, to ensure smooth operations and service deliveries. Therefore, this makes it costly for vendors such as our major customers to switch suppliers and difficult for new entrants to enter the industry, thus strengthening our strategic 'two-way' relationships between us and our major customers.

6. BUSINESS OVERVIEW (Cont'd)

Our customer relations efforts focus on strengthening our working relationships with our major customers. Our Group has continuous good working relationship with Seagate since 2004. Currently, our sales and marketing functions are undertaken by our Executive Chairman, Jason Yeo and CEO, Bert Chow, which entail development of marketing strategies through an understanding of the HDD manufacturers' requirements, as well as identification of potential customers based on industry developments, including also new industries such as semiconductor and medical industries. Such marketing initiatives will also aid in creating market awareness of our outsourced services, with the objective of convincing the potential customers to replicate the success model we have created with established HDD players such as Seagate.

We are in the process of establishing a dedicated Sales and Marketing Department to solely focus on, sales and marketing related functions, such as account management and maintaining our relationship with such major customers. Furthermore, our Factory Managers also work closely with our major customers on their needs as well as the prequalification and continual assessment of our facilities. We believe that such close working relationship and responsiveness to our customers' requirements are crucial to our ability to provide a reliable, satisfactory and seamless service to our customers.

As mentioned in Section 4.1(a) of this Prospectus, our Key Management is aware of our Group's dependency to a few major customers, in particular Seagate. We do not expect this to change significantly in the short to medium term but we do constantly search for new customers and services to other industries as well as expanding our precision cleaning capabilities to other component vendors in the HDD industry value chain to diversify and expand our service offerings. Furthermore, we have also successfully diversified our precision cleaning business to include providing cleaning solutions for wafer fabrication companies such as STMicroelectronics in 2008. In addition, over the financial periods from FYE 2009 to FPE 2010, our Group have also managed to reduce some dependency on our traditional major customers from the introduction of another major customer in the form of Nidec Singapore Pte Ltd.

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6. BUSINESS OVERVIEW (Cont'd)

6.8.2 Major Suppliers

Our major suppliers (being those contributing more than 10% of purchases) for the Financial Years / Period Under Review are as follows:-

Major Suppliers	Description of services procured	Percentage of M'Clean's proforma total purchases (%)				Approximate length of relationship (years)
		FYE			FPE 2010	
		2007	2008	2009		
Total Purchases (RM'000)		8,072	8,549	8,111	8,608	
YTH Transasia Pte Ltd ("YTH")	Provision of Clean Room polymer bags for packaging	2.0	7.7	13.0	17.6	4
Décor Industries Pte Ltd ("Décor")	Provision of electro-polishing and passivation of metal components	18.5	9.4	-	-	3
Statclean Technology (S) Pte Ltd ("Statclean")	Provision of Clean Room polymer bags for packaging	2.9	12.5	-	0.2	6
Eli Packaging Industries Pte Ltd ("EPI")	Provision of Clean Room polymer bags for packaging	11.3	-	-	-	5

All of our major suppliers are based in Singapore. Our major purchases consist mainly of Clean Room packaging materials. Our supplies are generally sourced from more than one (1) supplier in order for our Group to obtain more competitive pricing, timely delivery and reliable quality products or services. We do not have any dependencies on any one supplier as there are other similar suppliers available within the same geographical market which could easily be substituted without any material adverse impact on our operations, as evident by the change of our polymer bags suppliers from Statclean and EPI to YTH due to cost considerations.

On the other hand, we have in the past sourced for electro-polishing and passivation services from Décor as part of the overall precision cleaning services rendered to our major customer, Kato Spring as set out in Section 6.8.1 above. Due to the cessation of Kato Spring as our customer, we have also ceased to engage Décor as our supplier.

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6. BUSINESS OVERVIEW (Cont'd)

6.9 QUALITY ASSURANCE AND QUALITY CONTROL

Our products and services must meet the stringent requirements as determined by our customers. To ensure our products and services fulfil our customer requirements and remain the highest quality, we are committed to strict quality control procedures. Our production processes meet international standards accredited with ISO/TS 16949 for Techsin Wuxi. Additionally, our management system has also been certified with ISO 9001 for MClean Singapore and Techsin Wuxi.

The technology and process controls applied in our products – plastic injection moulding for automotive industry is in compliance with the international manufacturing standard, and our precision cleaning services conform to the quality standards of our MNC customers in the HDD industry.

In order to provide services to our customers, we are responsible to conduct quality tests including LPC, IC Test, FTIR, NVR Test and others, further details of which are set out as follows:-

Test	Description
LPC Test	Liquid Particle Count Test is used to determine the amount of particulate presence on a surface of the object. The particles from the surface are extracted via ultrasonic extraction with known liquid properties. The liquid is then analysed via a particle counter to determine the amount of particle presence in the liquid that indicates the cleanliness of the object.
IC Test	Ion Contamination Test is used to determine the level of ionics like chloride, sulphate, potassium on the parts. This is done via extracting the contaminant with known chemical and the chemical analysis for presence and amount of ionics.
FTIR Test	Fourier Transform Infrared Spectroscopy is used to identify compound and investigate sample composition mainly from the residue of the NVR test.
NVR Test	Non Volatile Residue is used to determine the level residue on the object.

These testing equipment are available at MClean Singapore, whereas we outsource such testing to a third (3rd) party QA / QC service provider for our testing requirements in Wuxi, PRC.

6.10 OUR COMPETITIVE STRENGTHS

6.10.1 We are a market leader with respectable market share and economies of scale

MClean Singapore is currently one of the major precision cleaning outsourcing service providers in Singapore with an existing monthly production capacity of 907,400 units of media cassettes and 663,000 units of trays at its facility in Singapore. MClean's other plant in Wuxi, PRC, has an existing monthly capacity of 468,000 units of media cassettes and 520,000 units of trays.

6. BUSINESS OVERVIEW (Cont'd)

We are a market leader by virtue of our Group having the largest market share at approximately 38%⁽¹⁾ in Singapore and the second largest market share at approximately 26%⁽¹⁾ in the PRC, based on revenue of precision cleaning in the HDD industry. We are one of the pioneers who entered the Singapore market in 2001 to provide precision cleaning to the HDD industry, together with other key players who also entered the Singapore market in early 2000's⁽¹⁾. Although the outsourcing of precision cleaning for the HDD industry in Singapore had started since late 1990's and recycle cleaning around mid-2000's, the mid-2000's saw a period of steep incline in growth and market expansion driven by the development of HDD media industry in Singapore. Currently, the industry is dominated by less than 10 key players with the requisite expertise.

Having sufficient economies of scale is important as it enables our Group to be cost efficient as the fixed operating cost of running our production facilities such as the Clean Room and DI water plant can be shared over a larger number of units produced/washed. Further, depreciation and rental expenses are two (2) of the major components of fixed factory overheads, accounting for an average of approximately RM3.34 million per annum. As such, with increased production, such fixed overheads could be shared over a larger number of units of products.

Our economies of scale is expected to further increase with the commencement of operations at the New Plant since November 2010. The gradual introduction of additional new cleaning lines at the New Plant is expected to increase our monthly production capacity for our PRC operations to cater for the expected increase in demand for precision cleaning in the PRC. Our overall cassette cleaning capacity has increased by 23.3% upon the commencement of operation of a new line in July 2010. In addition, we expect further increase in capacity with an additional new cover washing line with 4 million covers capacity per month, as well as two (2) new CO₂ washing cleaning lines with 390,000 magnets and 180,000 MBA capacity per month, respectively.

6.10.2 We are able to consistently deliver quality and reliable services

We have established strong and stable working relationships through recurring sales orders for six (6) to eight (8) years with our major customers who are mainly MNCs since we commenced our operations in 2001. Apart from the approval qualifications that we have earned which qualify us to serve these clients, our ability to provide high quality and consistent levels of reliable services are key elements for our Group's continuous long-term relationship that we have sustained with our clients.

As a result of the above, our Group has been able to secure recurring orders from our key customers due to our ability to consistently deliver quality and reliable services to our customers, which are key criteria for Just-In-Time HDD manufacturing process.

6.10.3 Experienced management team

We have an experienced key management team with an average of over ten (10) years of management and production experience in the HDD industry. Our Key Management has played a significant role in the achievement of our Group's growth and the establishment of our Group as a leading precision cleaning service provider to the HDD industry.

¹ Based on the IMR Report as set out in Section 8 of this Prospectus.

6. BUSINESS OVERVIEW (Cont'd)

6.10.4 Technical Expertise

Precision cleaning is a unique service industry in which technology and know-how is essential. One of our Group's major strengths lies in our technical ability and our Key Management's ability to modify and adapt available technology to develop new washing methods for wider application in the industry. This has enabled our Group to diversify our precision cleaning range from media cassette washing, components washing and tray washing for the HDD industry to include objects for other industries such as semiconductor. As such, technical know-how is one of the key competitive factors which explains the relatively few players in our industry.

Our Group also has a strong production engineering team led by Jason Yeo, our Executive Chairman and Bert Chow, our CEO and comprising two (2) of our Key Management, namely Hee Suh Ling and Ng Kwang Eng who are supported by a team of engineers and production managers. Specifically, Jason Yeo, Bert Chow, Hee Suh Ling and Ng Kwang Eng have extensive and direct relevant engineering know-how and industrial experience, their profiles of which are set out in Section 9.4.2 of this Prospectus. Further, by employing in-house maintenance activities, our Group is able to minimise downtime and cost on external spending. On top of that, our engineers are also responsible for continuous technology improvements in tandem with industrial technology trends.

6.10.5 Proximity to our customers

Our Group's operations in Woodlands, Singapore serves our customers in Singapore who are also situated in the same vicinity as our facility. Such proximity to customers enables us to manage our customer relationships better in terms of on-time delivery and service pipelines. Similarly, our Group's existing and new facility in the PRC is also located within the same industrial park as our key customers whom we can reach within 30 minutes by road.

As such, we are able to provide immediate assistance and response to our customers and can consequently minimise the time factor in delivering our products to them. This has allowed our Group to continually maintain our on-time deliveries to customers which are crucial performance indicators for customers' vendors such as us.

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6. BUSINESS OVERVIEW (Cont'd)

6.11 MAJOR LICENSES AND PERMITS

Our Group's operations do not require any specialised operating license. Nonetheless, we have complied with all relevant laws and regulations to operate our business in the respective jurisdictions and the major licences and permits and registrations of our Group, together with the conditions attached and status of compliance, for the purpose of operating our Group's business are as follows:-

Singapore

License/ Permits/ Others	Approving Authority	Issue Date/ Expiry Date/ Validity Period	Salient conditions	Status of Compliance
<p>MClean Singapore</p> <p>Electrical Installation License for premises located at 2 Woodlands Sector 1 # 01-22 Woodlands Spectrum Singapore 738068 under the provisions of the Electricity Act (Cap 89A) of Singapore and the Electricity (Electrical Installations) Regulations of Singapore ("Regulations").</p>	Ministry of Trade and Industry, Energy Market Authority of Singapore	Valid from 12 December 2010 to 11 December 2011	<ul style="list-style-type: none"> - This licence is to be displayed in a conspicuous position on the switchboard or in the switchroom. - MClean Singapore must renew this licence before it expires as it is an offence to use or operate electrical installation without a valid licence. - Section 30 of the Regulations states, <i>inter alia</i>, that an electrical installation licence or a renewal of such licence issued under these Regulations shall be valid for the period stated therein unless earlier revoked or suspended. - The Schedule of the Electricity (Electrical Installations) Regulations states that a fee is payable for the grant or renewal of a licence to use or operate an electrical installation for a period of 12 months. Accordingly, this licence is renewable on an annual basis. 	<p>Completed</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>
<p>MClean Singapore</p> <p>Electrical Installation License for premises located at 2 Woodlands Sector 1 # 01-29 Woodlands Spectrum Singapore 738088 under the provisions of the Electricity Act (Cap 89A) of Singapore and the Electricity (Electrical Installations) Regulations of Singapore ("Regulations").</p>	Ministry of Trade and Industry, Energy Market Authority of Singapore	Valid from 7 May 2010 to 6 May 2011	<ul style="list-style-type: none"> - This licence is to be displayed in a conspicuous position on the switchboard or in the switchroom. - MClean Singapore must renew this licence before it expires as it is an offence to use or operate electrical installation without a valid licence. - Section 30 of the Regulations states, <i>inter alia</i>, that an electrical installation licence or a renewal of such licence issued under these Regulations shall be valid for the period stated therein unless earlier revoked or suspended. 	<p>Completed</p> <p>Noted</p> <p>Noted</p>

6. BUSINESS OVERVIEW (Cont'd)

Licence/Permits/Others	Approving Authority	Issue Date/ Expiry Date/ Validity Period	Salient Conditions	Statutory Compliance
<p>MClean Singapore Certificate of Approval - ISO9001:2008 Serial No.: SNG0160416</p>	<p>Lloyd's Register Quality Assurance Ltd</p>	<p>Issue Date: 24 May 2005 Expiry Date: 23 May 2011</p>	<p>- The Schedule of the Electricity (Electrical Installations) Regulations states that a fee is payable for the grant or renewal of a licence to use or operate an electrical installation for a period of 12 months. Accordingly, this licence is renewable on an annual basis.</p>	<p>Noted</p>
<p>MClean Singapore Written Approval to discharge trade effluent for premises at 2 Woodlands Sector 1 # 01-22 Woodlands Spectrum Singapore 738068 under the Sewerage and Drainage Act 2001 (Chapter 294) Sewerage and Drainage (Trade Effluent) Regulations of Singapore</p>	<p>Public Utilities Board of Singapore</p>	<p>Issue Date: 12 March 2007 Expiry Date: N/A</p>	<p>- Periodic surveillance on the trade effluent quality will be carried out. - This written approval may be revoked or suspended for any period by the Public Utilities Board of Singapore without assigning any reason and shall cease to be valid when the company ceased operations at the said premises or fails to comply with any of the relevant regulations or conditions stipulated in the annex. - The trade effluent peak discharge rate shall not exceed 1.0 litre per second. - MClean Singapore shall notify the Water Reclamation (Plants) Department, Public Utilities Board in writing within 14 days of any alteration or addition to: (a) the process or operation used in the trade, manufacture or pre-treatment facilities; (b) the layout of various units of plant and machinery used in the trade, manufacture, pre-treatment facilities or the quantity of the trade effluent discharging into the public sewer.</p>	<p>Complied Noted Complied Noted</p>

6. BUSINESS OVERVIEW (Cont'd)

License/Permits/Others	Approving Authority	Issue Date/ Expiry Date/ Validity Period	Salient Conditions	Status of Compliance
MClean Singapore Notification of Goods and Services Tax ("GST") Registration Registration No.: 20-0312425-W	Inland Revenue Authority of Singapore	Issue Date: 1 March 2004 Expiry Date: N/A	As a GST registered trader:- - The company must charge and account GST on all taxable business transactions (7% ⁽¹⁾ for standard-rated supplies and 0% for zero-rated supplies). Input tax can be claimed on GST paid on the company's business purchases. - If the company's annual taxable turnover is less than SGD1 million, the company must remain registered for at least 2 years. <u>Obligations of a GST-registered trader include, inter alia:-</u>	Complied
Magnetronics Notification of Goods and Services Tax ("GST") Registration issued to Magnetronics Registration No.: 20-0103673-Z	Inland Revenue Authority of Singapore	Issue Date: 21 January 2002 Expiry Date: N/A	- The company must keep business and accounting records for a period of not less than 7 years ⁽²⁾ . If the company does not intend to keep records in paper form, prior approval from the Comptroller is not required but the company must comply with the applicable guidelines set down by the Comptroller.	Noted
Techsin Singapore Notification of Goods and Services Tax ("GST") Registration issued to Techsin Singapore Registration No.: 20-0920647-C	Inland Revenue Authority of Singapore	Issue Date: 1 November 2010 Expiry Date: N/A	- The company must complete and submit GST returns and payment of tax due (if any) not later than 1 month after end of accounting period failing which the Comptroller may make an estimated assessment of tax due. Penalties can be imposed if the company fails to submit GST returns and/or make payments by due date. The penalty for late submission of the return is SGD200 per month that the return remains outstanding (subject to a maximum of SGD10,000 for each return outstanding). In addition, 5% penalty will be levied on the amount of tax unpaid by the due date and an additional penalty of 2% per month on tax remaining unpaid after 60 days from the due date of the prescribed accounting period (subject to a maximum of 50% of the outstanding tax) may also be imposed.	Complied
				Noted

6. BUSINESS OVERVIEW (Cont'd)

License /Permits/ Others	Approving Authority	Issue Date/ Expiry Date/ Validity Period	Salient conditions	Status of Compliance
Risk Management Declaration pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 as subsequently amended by the Workplace Safety and Health (Registration of Factories) (Amendment) Regulations 2010 ("Factories Regulations")	Ministry of Manpower	N/A	<p>- The company must inform the Comptroller in writing within 30 days if there is any change in name, registered address, business constitution or transfer of business of the company.</p> <p>In accordance with the Factories Regulations, as M'Clean Singapore's business does not fall within the First Schedule of Factories Regulations, M'Clean Singapore is not required to register their premises as a factory but will need to perform a Risk Management Declaration which involves a risk assessment at least once every three (3) years in relation to the safety and health risks and to maintain records of such risk assessments and measures / safety procedures for a period of not less than three (3) years and to submit to the Commissioner for Workplace Safety and Health, Ministry of Manpower from time to time when required.</p> <p>In the event that the Commissioner for Workplace Safety and Health, Ministry of Manpower is not satisfied with the safety, health of welfare of persons at work at the factory, M'Clean Singapore would be required to register the factory.</p>	Complied ⁽³⁾

Notes:-

(1) With effect from 1 July 2007, GST has been revised from 5% to 7%.

(2) With effect from 1 January 2007, a company is required to keep for 5 years, records pertaining to prescribed accounting periods ending on or after 1 January 2007.

(3) However, the company is required to keep for 7 years, records pertaining to prescribed accounting periods ending before 1 January 2007.

M'Clean Singapore has submitted its Risk Management Declaration to the relevant authorities on 16 October 2009 in compliance with the Factories Regulations.

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Company No. 893631-T

6. BUSINESS OVERVIEW (Cont'd)

The PRC

License/Permits	Approving Authority	Issue Date/ Expiry Date/ Validity Period	Salient conditions	Status of Compliance
<u>Techsin Wuxi</u> Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC Certificate No.: [2006]65049	Jiangsu Provincial Government of the PRC	Issue Date: 29 April 2010 Validity Period: 50 years	Techsin Wuxi shall carry out annual inspection for each fiscal year for compliance with the laws of the PRC.	Complied for the year of 2009
<u>Techsin Wuxi</u> Business Licence for Legal Person Licence No.: 320200400027197	Jiangsu Province, Wuxi Administration of Industrial and Commercial of the PRC	Issue Date: 3 June 2010 Validity Period: 14 July 2006 to 13 July 2056	Techsin Wuxi shall carry out annual inspection for each fiscal year for compliance with the laws of the PRC	Complied for the year of 2009
<u>Techsin Wuxi</u> Code Certificate for Enterprise Legal Entity Certificate No: 78991527-4	Wuxi Municipal Quality and Technology Supervision Bureau of the PRC	Validity Period: 2 September 2010 to 1 September 2014	Nil	N/A
<u>Techsin Wuxi</u> State/Local Tax Certificate Certificate No.: 320200789915274	State and Local Tax Bureau of Wuxi City, Jiangsu Province of the PRC	Issue Date: 23 October 2006 Expiry Date: N/A	Techsin Wuxi shall carry out annual inspection for each fiscal year for compliance with the laws of the PRC.	Complied for the year of 2009

6. BUSINESS OVERVIEW (Cont'd)

License/Permits	Approving Authority	Issue Date/ Expiry Date/ Validity Period	Salient conditions	State of Compliance
<p><u>Techsin Wuxi</u> Financial Registration Certificate for Enterprises with Foreign Investment Certificate No.: 3202131200</p>	<p>Wuxi Finance Bureau of the PRC</p>	<p>Issue Date: 17 January 2007 Duration: 14 July 2006 to 13 July 2056</p>	<p>Techsin Wuxi shall carry out annual inspection for each fiscal year for compliance with the laws of the PRC.</p>	<p>Complied for the year of 2009</p>
<p><u>Techsin Wuxi</u> Foreign Exchange Card Certificate No.: 00192055</p>	<p>State Administration of Foreign Exchange Wuxi Branch</p>	<p>No issuance date stated</p>	<p>Techsin Wuxi shall carry out annual inspections in compliance with the laws of the PRC.</p>	<p>Complied for the year of 2009</p>
<p><u>Techsin Wuxi</u> Declaration Registration Certificate of the Consignee or Consignor for Import and Export of Goods of the Customs of the PRC Certificate No.: 3202341269</p>	<p>Wuxi Customs of the PRC</p>	<p>Issue Date: 25 July 2006 Expiry Date: 25 July 2012 (may apply for renewal)</p>	<p>Nil</p>	<p>N/A</p>
<p><u>Techsin Wuxi</u> Certificate of Registration for Self-responsible Declaration Enterprise Certificate No.: 3208601236</p>	<p>Wuxi Entry-Exit Inspection and Quarantine Bureau of the PRC</p>	<p>Issue Date: 8 August 2006 Expiry Date: N/A</p>	<p>Nil</p>	<p>N/A</p>
<p><u>Techsin Wuxi</u> Water Pollutant Discharge Permit Permit No.: 09-001</p>	<p>Wuxi New Area Water Pollutant Administration of the PRC</p>	<p>Issue Date: 10 January 2009 Expiry Date: 10 January 2014</p>	<p>Nil</p>	<p>N/A</p>

6. BUSINESS OVERVIEW (Cont'd)

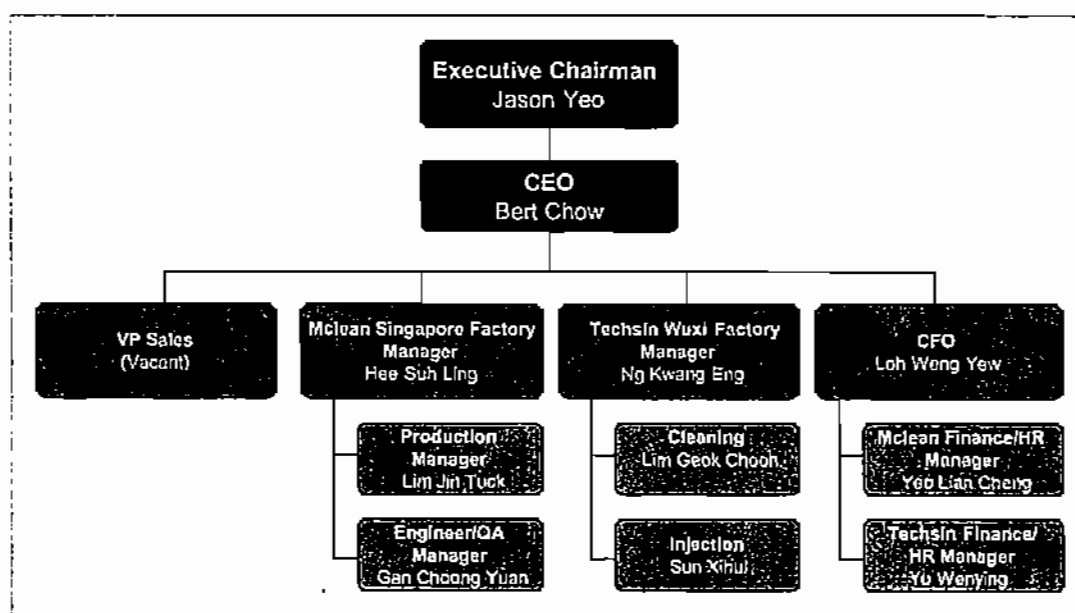
6.12 INTELLECTUAL PROPERTIES

As at the date of this Prospectus, our Group does not own any intellectual property.

6.13 INFORMATION ON EMPLOYEES

6.13.1 Organisational Structure

We have four key division within our Group, namely Sales, MClean Singapore Operations, Techsin Wuxi Operations and Finance cum Human Resources. Under MClean Singapore Operations, there are two sections which are Production and Engineering cum Quality Assurance. Techsin Wuxi consists of two (2) sections, namely Precision Cleaning and Plastic Injection Mouldings. Our Finance and Human Resources division is separated between MClean Singapore and Techsin Wuxi which is managed by one manager, both of whom report directly to our CFO, Loh Weng Yew.



6.13.2 Human Resource

At as the Latest Practicable Date, we have a total workforce of 201 employees (including sub-contract workers / temporary employees), comprising 112 employees in the Magnetronics Group and 89 employees in the Techsin Group. Certain parts of our precision cleaning process such as visual inspection, de-labelling and packaging are relatively low skilled but labour intensive in nature. As such, we generally hire short-term contractual labours for such production process so as to manage our cost of production efficiently. Currently, we have a total of 24 sub-contract workers in the Magnetronics Group and 27 sub-contractor workers in the Techsin Group.

Furthermore, we also engage human resource agencies in the PRC to source for our PRC manpower.

6. BUSINESS OVERVIEW (Cont'd)

Number of Employees during the Financial Years / Period Under Review and as at the Latest Practicable Date

Division/Section	Total Number of Employees / Workers				Average Year(s) of Service as at the Latest Practicable Date		
	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010	As at the Latest Practicable Date	< 1 year	1 - 5 years	> 5 years
Key Management	4	4	5	5	-	1	4
Managers	14	8	12	12	3	7	2
Administrative, finance and human resources	25	19	20	21	6	10	5
Engineering, maintenance and QA / QC	18	15	12	12	1	3	8
Factory production – Precision cleaning	154	110	77	79	27	39	13
Factory production – Plastic Injection Moulding	15	13	18	21	6	15	-
Sub-Contract Workers	63	83	101	51	46	5	-
Total Number of Employees / Workers of the Group	293	252	245	201	89	80	32
Total Number of Employees / Workers in the PRC	127	121	96	89	42	38	9
Total Number of Employees / Workers in Singapore	166	131	149	112	47	42	23

Following from the economic crisis in 2008, we had scaled down our work force and hence the reduced employee count as at 31 December 2009. However, we have since 31 December 2009 increased our workforce to cater for the increased in demand for our products and services.

We operate a mixture of factory production employees and sub-contract workers to cater for the cyclical demand nature of the HDD industry. Furthermore, due to the fluid nature of the movement of production workers, staff turnover tends to be high. Sub-contract workers are readily available and relatively more flexible, making them a good source of labour during peak season. As such, the number of factory production employees and sub-contract workers tend to fluctuate significantly.

The total number of our factory production employees and sub-contract workers has been scaled down from 232 as at 31 December 2008 to 206 as at 31 December 2009, following from the economic crisis as mentioned above. The number of our factory production employees and sub-contract worker decreased further to 196 as at 31 December 2010, following from improved efficiency and productivity, further details of which are set out in Section 13.1 of this Prospectus. The relatively low number of our sub-contract workers as at the Latest Practicable Date of 51 is attributed primarily to the traditional low season in the first quarter of the year due to the festive period.

6. BUSINESS OVERVIEW (Cont'd)

As the Group engages a significant number of sub-contract workers whose employment is short-term in nature, the number of employees whose services are less than 1 year therefore accounts for slightly less than 50% of the Group's total workforce as at the Latest Practicable Date.

6.13.3 Labour Union

Our employees in Singapore and the PRC do not belong to any labour union.

6.13.4 Labour Dispute

Save as disclosed below, we have not been involved in, or aware of any potential judicial or administrative disputes with our employees.

Techsin Wuxi is involved in a labour dispute with one of its employees, who suffered a work-related injury and requires having his labour relationship with the Company being recognised.

Based on the Civil Mediation Agreement issued by the People's Court of High & New Technology Industrial Development Zone of Wuxi City, Jiangsu Province (the "Court") on 28 September 2010, the employee and Techsin Wuxi had reached an agreement where Techsin Wuxi shall pay an aggregate compensation of RMB30,000 (equivalent to approximately RM13,971) to the employee to settle the dispute.

The above mediation agreement is reached under the mediation of the Court and shall be binding to the employee and the Company. Due to the immaterial quantum of the settlement, the amount of the settlement will not have any material adverse impact on our Group's financial position and performance.

6.13.5 Training and Development

We are aware of the importance of training and development programs to enhance our employees' capabilities and reliability to run our production. However, our production is mainly operated through automated machines and does not require a long-term human resources development plan. We conduct roughly 4 hours of training for new employees joining the Precision Cleaning Division to provide general product information, production process and QA procedures.

In addition, all new operators are required to attend our Clean Room protocol training and on-the-job training where operators will be trained and monitored by their respective production leader and production supervisor every working day for 2 weeks. After 2 weeks, these operators will have to go through a test conducted by our QA personnel on their job proficiency. As such, operators who do not pass the test will need to extend the training period for another 1 week or be requested to be relocated to other division. Subsequent training on any changes in specifications by our customers will be re-certified by our QA personnel every 6 months to ensure work quality and proficiency of our operators.

Under the Plastic Injection Moulding Division, new employees will be given 3 to 5 days of on-site training, and the training is conducted by the production line leader. The objective of the training is to provide an understanding of the production process, machine parameters and QA procedures.

6. BUSINESS OVERVIEW (Cont'd)

In addition, we outsource safety training and tax training for our Safety and Finance personnel, respectively, in compliance with the laws of the PRC. Accountants in the PRC are required to attend 2 days of tax training every year to obtain their renewable professional certificate. Meanwhile, our Safety personnel is required to attend a 1 day training annually which is certified by the Wuxi Safety Production Management Association (无锡市安全生产管理协会), a local authority.

6.14 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Our Group has not experienced any interruption in business which had a significant effect on operations during the twelve (12) months period prior to the date of this Prospectus.

6.15 DEPENDENCY ON PATENTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS

6.15.1 Dependency on Patents and Intellectual Rights

Our Group is not dependent on any patents or intellectual property rights for our business operations.

6.15.2 Dependency on Major Licenses

Save as disclosed in Section 6.11 of this Prospectus, our Group is not dependent on any other major licenses, permits and registrations for our business operations.

6.15.3 Dependency on Industrial, Commercial and Financial Contracts

Our Group is not dependent on any industrial, commercial or financial contracts for our business operations.

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6. BUSINESS OVERVIEW (Cont'd)

6.16 FUTURE PLANS AND STRATEGIES

6.16.1 Business Expansion

We foresee the continuous high growth potential of the HDD industry in the PRC of between 17.3% and 61.6% per annum for the next three (3) years from 2011 to 2013 based on unit shipment⁽¹⁾. As such, we expect the demand for outsourced precision cleaning service to sustain positive and strong growth of at least 20% per annum during the same period⁽¹⁾. The relocation of Seagate AMK plant from Singapore to the PRC is also expected to drive the growth of the precision cleaning industry in the PRC⁽²⁾. We expect this relocation to result in increased outsourcing of precision cleaning requirements in the PRC to third party service providers like us. In anticipation of this, we are in the process of expanding our current high precision cleaning capabilities of HDD components, media cassettes and others in our Techsin Wuxi operations in the PRC, as well as invest in new capabilities to complement our existing service offerings so as to position our Group as a one-stop solution provider to our customers in the HDD value chain.

As mentioned in Section 6.6.4 of this Prospectus, in order to capitalise on the growth potential of the PRC market and to expand our PRC precision cleaning operations, Techsin Wuxi had commissioned the New Plant in Wuxi, which had commenced operational production in November 2010. Techsin Wuxi had also commenced the qualification process for the New Plant to cater for an MNC customer's precision cleaning requirements.

6.16.2 Utilisation of Other Cleaning Technologies

We intend to deploy other alternative cleaning technologies to cater to our customers' specific cleaning requirements by the first (1st) half of 2011. Particularly, precision cleaning using CO₂ (gas) instead of DI water is an alternative method for the same objective.

We plan to deploy the CO₂ precision cleaning method in our services by installing two (2) such machines in our facility in the PRC. With these cleaning machines, we are able to broaden our precision cleaning services for a wider range of different objects of different characteristics. Precision cleaning using CO₂ (gas) instead of DI water is a supplementary method for washing. For example, precision cleaning using DI water is not suitable for electronic components as it will result in short-circuit. Therefore, CO₂ is an alternative method for cleaning these objects as it would not damage the objects while performing the essential cleaning steps to remove contaminants. We believe our intended capital investment of up to RM1 million in the CO₂ cleaning machines will consequently increase our competitiveness in the precision cleaning services industry and create more business opportunities for our Group.

By deploying CO₂ cleaning technologies, we intend to widen our precision cleaning service offerings to also cater to other objects such as the magnets in the Voice Coil Motor Permanent-Magnet Assembly to remove magnetic particles which aqueous ultrasonic washing will not be able to remove and to also include MBA which aqueous ultrasonic washing may result in damaging the motor assembly.

¹ As supported by the IMR Report as set out in Section 8 of this Prospectus.

² The relocation of Seagate AMK plant from Singapore to the PRC is expected to increase Seagate's existing capacity to build HDDs in the PRC, where they have been in operations since 1995.

6. BUSINESS OVERVIEW (Cont'd)

6.16.3 Maintain Focus in Singapore and Regional Operations

Despite the relocation of Seagate AMK plant from Singapore to the PRC, we believe that our strategic positioning in the Singapore market is critical in maintaining our clientele for the HDD media manufacturing segment where 50% of the global disk media is expected to be produced in Singapore¹. The key HDD media suppliers which will continue to have a significant presence in Singapore and/or Malaysia include Seagate, Hoya Magnetics, Showa Denko HD Singapore Pte Ltd and Showa Denko HD (M) Sdn Bhd as set out in the IMR Report. In addition, some of the HDD support industry players comprising small and medium enterprises are still producing HDD components in Singapore and Malaysia, resulting in the continuous significant demand for our precision cleaning services which are critical to their operations.

Our direct revenue from Seagate is derived primarily from the media substrate plants in Woodlands, Singapore and Johor Bahru, Malaysia. Our Group only derives revenue indirectly from Seagate AMK plant through our component suppliers such as Nidec, MI Technologies and Donaldson Thailand Ltd which supplies directly to Seagate AMK as well as other HDD manufacturers. Notwithstanding that, the contribution of Seagate AMK through such component suppliers only ranges from 4.4% to 8.3% of our total revenue during the Financial Years / Period Under Review based on orders whereby Seagate AMK is identified as the recipient of our cleaned products. As such, we do not expect the relocation of Seagate AMK to the PRC to have a major impact on our revenue.

Taking into account the above, we intend to continue maintaining our focus in the Singapore market due to the following factors:-

- (i) Many in the HDD component supplier industry have reservations of immediately relocating their operations into the PRC as the cost savings of operating in the PRC is greatly outweighed by the high risk of slow return on investment as the actual activity of relocating a manufacturing facility is very expensive whereas the HDD price has continued to erode impacting margins;
- (ii) The HDD suppliers in Singapore also serve HDD hubs in other locations such as Malaysia, Thailand and the USA, and are part of the global supply chain;
- (iii) The supporting services for the precision engineering fabrication industry are long-established in Singapore; and
- (iv) The Singapore precision manufacturers do not primarily focus on only the HDD industry, rather they have multiple core divisions servicing other industries such as automation and precision engineering which are faring extremely well in Singapore.

Further to the above, we will also consider setting up operational facilities in regional markets such as Malaysia and Thailand in the future, depending on whether the level of market demand for our services warrants such expansion. However, currently we do not have the specific plan for the setting up of such operational facilities in the region.

¹ As supported by the IMR Report as set out in Section 8 of this Prospectus.

6. BUSINESS OVERVIEW (Cont'd)

6.17 FUTURE PROSPECTS

Based on the market outlook for the global HDD industry, the growth prospects for supporting services such as the precision cleaning service is bright. As the global economy rebounds, consumer spending on storage has shown tremendous revival back to pre-economic crisis levels. HDD end-user demands are strong and alternative storage technologies (i.e. solid state drives and hybrid disk drives) are unable to compete in terms of pricing per storage capacity within the immediate and mid-term forecast. Demand is expected to grow particularly in the mobile computing segments and high-definition entertainment sectors as internet infrastructure improves and an increase in the application of wireless technology on consumer electronics thereby allowing more people to enjoy internet access anywhere anytime. Applications such as social networking and digital recording media are contributing to large data sharing across networks and the trend for high external storage requirements. Businesses are expected to increase IT spending and replace obsolete computer terminals after two years of budget starvation during the financial economic crisis. Enterprises are moving towards cloud computing and outsourcing of server management to data centres worldwide spurring growth in the enterprise HDD segment. The growth in HDD demand has driven the trend for outsourcing various processes of the industry value chain including precision cleaning of components, media substrates and containers. The rising cost of raw materials for polymers ensure there will always be a need for cleaning of production line accessories and transportation containers in order to meet the global HDD demands.

HDD market growth by location is expected to be strongest in the PRC due to the low-cost operations factor, the proximity to industries and the fast-growing domestic market for consumer electronics particularly in computing. The precision cleaning industry serving the HDD sector is at a growth stage with huge market potentials. Currently it is estimated that the HDD industry outsources 20% of its precision cleaning needs. As a cost restructuring strategy, in August 2009, Seagate announced that it would shut down Seagate AMK in Singapore and relocate to existing facilities in the PRC. The relocation process has been ongoing since December 2010 and expected to complete in 2011. This move will provide further boost to the PRC industry by increasing HDD outputs. It is expected that in the long run, many of the HDD final assembly supporting industry players will follow Seagate and establish operations in the PRC to be in proximity. As we have already established a presence in Wuxi, the PRC, we believe that our years of experience operating in the PRC market and the HDD industry's recognition based on our operations in Singapore will differentiate us as a trusted service provider, which will provide an added advantage over competitors or new entrants. MClean's strategic presence in Wuxi, which is approximately one (1) hour by road to Suzhou, allows the Company to serve the demand of Seagate and the supporting industry players in an efficient and timely manner due to the proximity to such customers. Seagate's final assembly facility relocation to Suzhou will have no impact to the disk media industry in Singapore as Seagate's media substrate facility in Woodlands, Singapore will continue to be in operation.

For Singapore, a new focus towards hard disk media fabrication and knowledge-based industry such as research and development for HDD storage technology is already in place in preparation of the expected contraction of actual HDD market by almost 50% by 2011. Furthermore, Singapore has created a strategic advantage for itself in the HDD global production network as the core for more skill-intensive operations and decision-making such as process engineering, product engineering, failure analysis and debugging in the South East Asia region. Singapore is also the top producer for hard disk media supplying approximately 50% of the global requirement. Singapore's capabilities to continue to stay relevant and as an important and strategic hub in the global production network will ensure that the precision cleaning industry which supports it is sustainable within the forecast period (2011-2016).

6. BUSINESS OVERVIEW (Cont'd)

We believe we have a strategic advantage by having operations in Singapore, which is the centre for hard disk media production and of strategic relevance in the HDD global production network, and in the PRC, a fast growing global HDD production hub. Our specialisation in the HDD industry, market leadership position, technology competence in precision cleaning, and our reputation and long-standing working relationship with major HDD industry players will provide leverage and benefit for us to secure continued cleaning jobs within Singapore, the neighbouring HDD hubs in Malaysia and Thailand, and the PRC HDD industry.

(Source: The IMR Report)

Further details of our industry's prospects and a strategic analysis of the precision cleaning service in the HDD industry (Singapore, People's Republic of China) are set out in the executive summary of the IMR Report which is set out in Section 8 of this Prospectus.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS

This section sets out our summaries of certain aspects of the laws and regulations in the foreign jurisdictions which we operate in, comprising Singapore and the PRC, which are relevant to our Group's operations and business as at the Latest Practicable Date.

If you intend to have a detailed review of the relevant laws and regulations in the respective foreign jurisdictions, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between Singapore and the PRC with Malaysia, you are recommended to seek independent legal advice from relevant experts.

7.1 SALIENT LAWS AND REGULATIONS IN SINGAPORE

7.1.1 Singapore Legal System

The Singapore legal system is based on British common law. The Singapore judiciary is made up of the Supreme Court and the Subordinate Courts. The Supreme Court hears both civil and criminal matters and comprises the Court of Appeal and the High Court. The Subordinate Courts consist of the District Courts, Magistrates' Courts, Juvenile Court, the Family Court, the Coroners' Court, the Syariah Court and the Small Claims Tribunal.

The most important lower courts in Singapore are the District Courts and the Magistrates' Courts. They have original jurisdiction in both civil and criminal matters. Their jurisdiction and powers are set out in the Subordinate Courts Act (Cap. 321) and the Criminal Procedure Code (Cap. 68).

Other subordinate courts with jurisdiction over special matters are the Coroners' Court, the Juvenile Court, the Syariah Court, and the Family Court. The Coroners' Court is concerned with inquiries into the death of persons in order to determine their cause of death. The Juvenile Court deals with offences committed by persons under the age of sixteen. The Syariah Court has jurisdiction over family law matters in cases where all parties are Muslim or were married under Muslim law. The Family Court deals with a variety of matrimonial matters (such as divorce, separation, family violence etc). The Small Claims Tribunal generally deals with resolution of small claims between consumers and suppliers, contracts arising from the sale of goods or provision of services, and lease of residential premises not exceeding 2 years. The Small Claims Tribunal has the jurisdiction to hear claims not exceeding SGD10,000 but can be raised to SGD20,000 in certain cases. All claims should be lodged within a year of the dispute and parties usually need not be represented by a lawyer.

The Court of Appeal is the highest and final appellate court in Singapore. It exercises only appellate jurisdiction and hears and determines appeals from the High Court in civil and criminal matters. Cases in the Court of Appeal are usually heard by a panel of three judges. The High Court exercises both original and appellate jurisdiction in civil and criminal matters. It exercises original jurisdiction in civil and criminal matters of a more serious nature than those heard by the subordinate courts. It exercises appellate jurisdiction by hearing appeals from the Magistrates' Courts and District Courts.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

7.1.2 Enforcement of court and arbitration judgments in Singapore

Court Judgements

Under Singapore law, a successful claimant who has obtained a judgement or order from the Singapore courts may enforce such judgement or order by: (1) serving a writ of seizure and sale, (2) commencing garnishee proceedings and/or (3) commencing winding up/bankruptcy proceedings against the other party.

Under Singapore law, foreign court judgments may be enforced in 2 ways. The first is by registration under the Reciprocal Enforcement of Commonwealth Judgments Act (Cap 264) ("RECJA") or the Reciprocal Enforcement of Foreign Judgments Act (Cap 265) ("REFJA"). The second is by suing on the judgment at common law.

Jurisdictions gazetted under RECJA include the federal jurisdiction of Australia, New Zealand, Sri Lanka, Malaysia, Pakistan, Brunei Darussalam, Papua New Guinea, and India. To date, only Hong Kong SAR has been gazetted under the REFJA.

An application for registration of a judgment based on a Commonwealth judgement must be made within twelve months after the date of the judgment. The High Court of Singapore hearing the application has the discretion, if it is just and convenient to allow enforcement of the judgment in Singapore. The High Court of Singapore will however not allow registration of a judgment if the original court acted without jurisdiction; if the debtor did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; if the debtor was not duly served with the process; if judgment was obtained by fraud; if an appeal is pending; or if it is contrary to the public policy of Singapore.

The main difference between registration under the statute-based schemes and the common law method of enforcement is that the judgment creditor need not sue the defendant in an action. Once registered, the foreign judgment may be executed in Singapore as if it were a local judgment. Thus, there is no need for the plaintiff to commence proceedings afresh which could require service of originating process out of the jurisdiction.

Arbitral Awards

In Singapore, arbitration is regulated by 2 statutes, the Arbitration Act (Cap 10) (the "AA") and the International Arbitration Act (Cap 143A) (the "IAA"). The AA deals with domestic arbitration. The IAA deals with international arbitration.

An arbitral award granted in Singapore can be enforced like an order or judgment of the court, by application to the High Court of Singapore, whether it is made under the AA or the IAA.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Through Part III of the IAA, Singapore subscribes to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("Convention") which means that an arbitral award made in Singapore is enforceable in any of the approximately 140 countries (including Malaysia) which are signatories to the Convention. Similarly, foreign arbitral awards made in a New York Convention country other than Singapore may be enforced in Singapore either by action or in the same manner as a judgement or order, with the leave of the High Court of Singapore. Applications for leave to enforce a foreign award made in a New York Convention country must be made within six years after the making of the award.

Foreign arbitral awards made in countries or territories which are not signatories to the Convention may also be enforced in Singapore in the same manner as a judgment or order to the same effect, with the leave of the High Court of Singapore. If leave is granted, judgment will be entered in terms of the award.

7.1.3 Workplace Safety and Health Act and Factories Regulations

Under the Workplace Safety and Health Act (Cap. 354A) ("WSHA"), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of its employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implanting procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work. More specific duties imposed by the Singapore Ministry of Manpower ("MOM") on employers are set out in the Workplace Safety and Health (General Provisions) Regulations 2006 (as amended by the Workplace Safety and Health (General Provisions) (Amendment) Regulations 2009 and the Workplace Safety and Health (General Provisions) (Amendment No. 2) Regulations 2009).

Under the WSHA, the Commissioner for Workplace Safety and Health ("CWSH") may serve a stop-work order in respect of a workplace if he is satisfied that:-

- (i) the workplace is in such condition, or is located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work;
- (ii) any person has contravened any duty imposed by the WSHA; or
- (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

MClean Singapore's premises at #01-22 and #01-29 2 Woodlands Sector 1 Singapore 738068 were previously registered as a factory under the Workplace Safety and Health (Registration of Factories) Regulations. Pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 (which came into effect on 1 November 2008 and subsequently amended by the Workplace Safety and Health (Registration of Factories) (Amendment) Regulations 2010) (the "Factories Regulations"), factories which do not fall under the classes of factories specified in the First Schedule of the Factories Regulations are no longer required to be registered as a factory.

Instead any person who desires to occupy or use any premises as a factory not falling within the aforesaid classes shall give a one-time notification to the Commissioner for Workplace Safety and Health ("Commissioner") before commencement of operation of the factory. Existing factories requiring notification which were registered before 1 November 2008 (which was when the Workplace Safety and Health (Registration of Factories) Regulations 2008 took effect) will only need to perform a Risk Management Declaration.

Pursuant to Regulation 7(1)(ii) read together with Regulation 6(6A) of the Factories Regulations, any factory which does not fall under the classes of factories specified in the First Schedule of the Factories Regulations may nevertheless be required by the Commissioner to be subject to registration in the event the Commissioner is satisfied that the factory is in such condition or any process or work being carried on in that factory in such a manner as to pose or be likely to pose a risk to the safety, health or welfare of persons at work at the factory ("non-complying factory").

A certificate of registration that is issued to a non-complying factory shall be valid for a period of one year or such other period as the Commissioner may determine, subject to the renewal thereof on the same duration.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations, the employer in a workplace is supposed to, *inter alia*, conduct a risk assessment (at least once every 3 years) in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise risks, implement measures/safety procedures to address the risks, and to inform workers of the same, maintain records of such risk assessments and measures/safety procedures for a period of not less than 3 years, and submit such records to the Commissioner from time to time when required by the Commissioner.

As MClean Singapore's business does not fall under any of the classes of factories under the First Schedule of the Factories Regulations, it has since 1 November 2008 ceased to require any certificate of registration under the Factories Regulations. Instead it is obliged to submit Risk Management Declarations to the relevant authorities once every three (3) years, the latest of which was dated 16 October 2009.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

7.1.4 Electricity Act and Electricity (Electrical Installations) Regulations

Pursuant to the Electricity Act (Cap 89A) and Electricity (Electrical Installations) Regulations, MClean Singapore is required to obtain a licence for any use or operation of electrical installations at its premises, and such licence is renewable on an annual basis.

An applicant wishing to make an application to the Energy Market Authority of Singapore ("EMA") for an electrical installation licence or any renewal thereof must do so through a licensed electrical worker approved by the EMA who must comply with certain conditions, including the requirement to test and inspect the electrical installation at regular intervals and submit reports on the same to the EMA.

MClean Singapore has obtained an electrical installation licence for its premises at #01-22 and #01-29 2 Woodlands Sector 1 Singapore 738068 which is valid until 11 December 2011 and 6 May 2011 respectively.

7.1.5 Environmental Laws and Regulations

There are environmental laws and regulations in place which specify the acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area. Applicable legislation include, amongst others, the Sewerage and Drainage Act (Chapter 294) and its regulations including the Sewerage and Drainage (Trade Effluent) Regulations.

The operations of MClean Singapore produce waste water, and MClean Singapore has obtained a written approval to discharge trade effluent for the premises at 2 Woodlands Sector 1 #01-22 Woodlands Spectrum, Singapore 738068 in connection with the discharge of such waste water, pursuant to the Sewerage and Drainage Act (Chapter 294) Sewerage and Drainage (Trade Effluent) Regulations which was issued on 12 March 2007.

Under the terms of such approval, periodic surveillance on the trade effluent quality will be carried out and the written approval may be revoked or suspended for any period by the relevant authority if, *inter alia*, the company ceases operations at the said premises or fails to comply with any of the relevant regulations or conditions prescribed.

The company is supposed to notify the relevant authority within 14 days, *inter alia*, of any alteration or addition to the company's layout of plant and machinery, processes or operations, or the nature or quantity of the trade effluent discharging into the public sewer.

7.1.6 Employment Laws and Regulations

Employees

The Employment Act (Cap 91) ("Employment Act") is the main legislation governing employment in Singapore. The Employment Act was last amended on 6 December 2010 with the amendments effective on 1 February 2011.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

The Employment Act covers every employee who is under a contract of service with an employer and includes a workman (as defined under the Employment Act) but does not include: (a) any seaman; (b) any domestic worker; (c) any person employed in a managerial or executive position (subject to the exceptions set out below); and (d) any person employed by statutory boards or the Singapore Government.

A workman is defined under the Employment Act as including, *inter alia*, a person, skilled or unskilled, who has entered into a contract of service with an employer in pursuance of which he is engaged in manual labour, and machine operators and assemblers.

Part IV of the Employment Act contains provisions relating to, *inter alia*, working hours, overtime, rest days, holidays, annual leave, payment of retrenchment benefit, priority of retirement benefit, annual wage supplement and other conditions of work or service and apply to: (a) workmen earning not more than SGD4,500 basic monthly salaries and (b) employees (excluding workmen) earning not more than SGD2,000 basic monthly salaries.

Paid public holidays and sick leave apply to all employees who are covered by the Employment Act regardless of salary levels.

Any person employed in a managerial or an executive position (who is generally not regarded as an employee under the Employment Act) who is in receipt of a salary not exceeding SGD4,500 shall however, be regarded as an employee for the purposes of provisions in the Employment Act relating to, *inter alia*, payment and computation of salaries, powers of the Commissioner for Labour in relation to claims, complaints and investigations into offences under the Employment Act and procedures and regulations governing claims and offences under the Employment Act.

For employees working less than 35 hours a week, they are covered by the Employment (Part-Time Employees) Regulations (which came into effect on 1 November 2008 and subsequently amended by the Employment (Part-time Employees)(Amendment) Regulations 2008), which provide certain flexibility for both the employers and employees, including the pro-rating of employment benefits, encashment of annual leave and provision of rest day.

Foreign Employees

The availability and the employment cost of foreign workers are affected by the Singapore Government's policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, *inter alia*, the Employment of Foreign Manpower Act (Chapter 91A) and the relevant Government Gazettes.

Under work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the National Environment Agency, the Public Utilities Board, the Singapore Civil Defence Force and the Building and Construction Authority. The employment of foreign workers is also subject to the payment of levies. The amount of foreign worker levy currently payable on each foreign worker (skilled and unskilled) ranges from SGD50 to SGD470 per month.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Pursuant to the Singapore Budget 2011, it was announced that the Singapore Government will raise levy rates for most work permits by between SGD10 to SGD30 with the changes to be phased in from January 2012 to July 2013 at six-month intervals. This is one year beyond the previous schedule and will give companies time to prepare for the changes. For the manufacturing sector, the levy will be increased by an average of another SGD60 by July 2013, which is over and above the earlier increase of about SGD100 announced in the 2010 Budget. For the services sector, the average levy will go up by a further SGD180 by July 2013 on top of the earlier increase of about SGD100 announced in the 2010 Budget, while average levy rates for the construction sector will go up by a further SGD200 by July 2013 over the same period on top of the earlier increase of about SGD130 announced in the 2010 Budget.

An employer of foreign workers is also subject to, inter alia, the provisions set out in the Employment Act (Chapter 91), the Immigration Act (Chapter 133) and the Immigration Regulations.

Female Employees

The Children Development Co-Savings Act (Cap 38A) ("CDCSA") provides that every female employee is legally entitled to 16 weeks of paid maternity leave regardless of her occupation if: (1) her child is a Singapore Citizen, (2) she is lawfully married to the child's father at the time of the child's birth; and (3) she has served the company for at least 90 days before the birth of her child.

7.1.7 Workmen Injury Compensation Act

The Workmen Injury Compensation Act (Chapter 354) ("WICA"), which is regulated by the Ministry of Manpower ("MOM"), applies to employees who are engaged under a contract of service or apprenticeship, regardless of their level of earnings. The WICA does not cover self-employed persons, independent contractors, domestic workers, members of the Singapore Armed Forces, officers of the Singapore Police Force, the Singapore Civil Defence Force, the Central Narcotics Bureau and the Singapore Prisons Service.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for permanent incapacity or death, subject to certain limits stipulated in the WICA.

An employee who has suffered an injury arising out of and in the course of his employment can choose to either:

- (a) submit a claim for compensation through the MOM without needing to prove negligence or breach of statutory duty by employer. There is a fixed formula in the WICA on amount of compensation to be awarded; or
- (b) commence legal proceedings to claim damages under common law against the employer for breach of duty or negligence.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Damages under a common law claim are usually more than an award under WCIA and may include compensation for pain and suffering, loss of wages, medical expenses and any future loss of earnings. However the employee must show that the employer has failed to provide a safe system of work, or breached a duty required by law or that the employer's negligence caused the injury.

Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed him, unless specifically exempted.

7.1.8 Corporate Income Tax

Singapore currently adopts a one-tier corporate tax system. Under the one-tier corporate tax system, taxes that are paid by a company whether resident in Singapore or not, on its chargeable income is exempt from further taxation.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore and subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore from outside Singapore. Foreign-sourced income in the form of dividends, branch profits and services income received or deemed to be received in Singapore by resident corporate taxpayers on or after 1 June 2003 will be exempt from Singapore income tax if certain prescribed conditions are met.

Non-resident corporate taxpayers are subject to Singapore income tax on income accrued in or derived from Singapore and subject to certain exceptions, on foreign income received or deemed to be received in Singapore from outside Singapore.

A corporate taxpayer is regarded as resident for Singapore tax purposes if its business is controlled and managed in Singapore.

The corporate tax rate in Singapore is 17% for the year of assessment 2010. In addition, three quarters of up to the first SGD10,000 of a company's chargeable income and up to half of the next SGD290,000 will be given partial exemptions from corporate tax. The remaining chargeable income (after the tax exemption) will be taxed at 17%.

7.1.9 Stamp Duty

Stamp duty is a tax payable on documents in respect of gifts, leases, transfers and mortgage of immovable property, stocks and shares. The amount of stamp duty payable depends on the value of and type of transaction. For example, stamp duty is payable on an instrument of transfer of the shares of a Singapore-incorporated company at the rate of 20 SGD cents for every SGD100 or any part thereof, computed on the higher of the value of consideration and net asset value of the shares.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

A purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if the instrument of transfer which is executed outside Singapore is received in Singapore. Liability under the Stamp Duties Act (Cap. 312) arises once the document is executed. Stamp duty remains payable on the document even if the transaction has been aborted.

7.1.10 Goods and Services Tax Act

Each of MClean Singapore, Magnetronics and Techsin Singapore is registered under the Goods & Services Tax Act (Cap. 117A) as a GST-registered trader.

As a GST registered trader, the company must charge and account for GST on all taxable business transactions at the prevailing rate of GST which is currently at 7%. Input tax can be claimed on GST paid on the company's business purchases.

If the company's annual taxable turnover is less than SGD1 million, the company must remain registered for at least 2 years.

The obligations of a GST-registered trader include, *inter alia*:-

- (i) to keep business and accounting records for a period of not less than 7 years¹. If the Company does not intend to keep records in paper form, prior approval from Comptroller is required;
- (ii) complete and submit GST returns and payment of tax due (if any) not later than 1 month after end of accounting period failing which the Comptroller may make an estimated assessment of tax due. Penalties can be imposed if the company fails to submit GST returns and/or make payments by due date. The penalty for late submission of the return is SGD200 per month that the return remains outstanding (subject to a maximum of SGD10,000 for each return outstanding). In addition, 5% penalty will be levied on the amount of tax unpaid by the due date and an additional penalty of 2% per month on tax remaining unpaid after 60 days from the due date of the prescribed accounting period (subject to a maximum of 50% of the outstanding tax) may also be imposed; and
- (iii) inform Comptroller in writing of any intention to transfer business 30 days prior to date of transfer.

7.1.11 Company Laws and Regulations

Companies Act

The Singapore-incorporated companies within the Group, which are private companies limited by shares, are incorporated and governed under the provisions of the Companies Act (Cap 50) (the "Companies Act") and its regulations.

¹ *With effect from 1 January 2007, a company is required to keep for 5 years, records pertaining to prescribed accounting periods ending on or after 1 January 2007. However, the company is required to keep for 7 years, records pertaining to prescribed accounting periods ending before 1 January 2007.*

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

The Companies Act generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction), directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders' rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by the provisions of the memorandum and articles of association of the company. The memorandum of association of a company provides for, inter alia, the objects of the company while the articles of association of the company contains, inter alia, provisions relating to some of the matters in the foregoing paragraph, as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

Below is a brief summary of the salient provisions of the memorandum and articles of association of the Singapore-incorporated companies within our Group and the Companies Act that may affect MClean as a member of, and/or as a holder of shares in such companies. References to "Company" in the following under this Section 7.1.7 shall mean, depending on the context, all or some or any of the Singapore-incorporated companies within our Group (comprising namely of Magnetronics, MClean Singapore and Techsin Singapore) and references to the "Articles" in this Section 7.1.7 shall mean, depending on the context, the memorandum and articles of association of all or some or any of the Singapore-incorporated companies within our Group (as from time to time amended, supplemented or modified).

Ordinary Shares

As at the Latest Practicable Date, each Company has only one class of shares, namely, ordinary shares which have identical rights in all respects and rank equally with one another. All of the ordinary shares are in registered form.

The Company may, subject to the provisions of the Companies Act and if it is expressly permitted by its Articles, purchase its own ordinary shares. However, it may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of its own shares.

Shareholders

Only persons who are registered in the register of shareholders of the Company are recognised as shareholders of the Company. The Company will not, except as required by law, recognise any equitable, contingent, future or partial interest in any ordinary share or other rights for any ordinary share other than the absolute right thereto of the registered holder of that ordinary share.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Issue of New Shares

New shares may only be issued with the prior approval in a general meeting of the shareholders of the Company. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act, the Articles and any special rights attached to any class of shares for the time being issued (if applicable), all new ordinary shares are under the control of the board of directors of the Company (referred to as the "Company Board of Directors" under Section 7.1.7 of this Prospectus) who may allot and issue the same with such rights and restrictions as it may think fit.

The Articles of Association of MClean Singapore and Techsin Singapore provide that subject to any direction to the contrary that may be given by the company in general meeting, all new shares shall, before issue, be offered to members in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. No similar restriction applies to issue of new shares by Magnetronics.

Transfer of Shares

The Articles of Magnetronics and Techsin Singapore provides, *inter alia*, that shares shall be freely transferred by a member or other person entitled to transfer to any existing member selected by the transferor; but save as aforesaid, no share shall be transferred to a person who is not a member so long as any member or any person selected by the directors as one whom it is desirable in the interest of the company to admit to membership is willing to purchase the same at the fair value. No similar restriction applies to transfers of shares in the Articles of MClean Singapore.

The Company Board of Directors may decline to register any transfer of ordinary shares which are not fully paid shares, or ordinary shares on which the Company has a lien. Ordinary shares may be transferred by a duly signed instrument of transfer in a form approved by any stock exchange on which the Company is listed. The Company Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. The Company will replace lost or destroyed certificates for ordinary shares if it is properly notified and if the applicant pays a fee which will not exceed SGD2 and furnishes any evidence and indemnity that the Company Board of Directors may require.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

General Meetings of Shareholders

The Company is required to hold an annual general meeting every year. The Company Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held. In addition, two or more shareholders holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a meeting. Unless otherwise required by law or by the Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and the Articles of Association, a change of the corporate name and a reduction in the share capital. The Company must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to every shareholder who has supplied the Company with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. Except as otherwise provided in the Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under the Articles of Association, on a show of hands, every shareholder present in person and by proxy shall have one vote (provided that in the case of a shareholder who is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, by the Chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

The Company may, by ordinary resolution of its shareholders, declare dividends at a general meeting, but it may not pay dividends in excess of the amount recommended by the Company Board of Directors. The Company must pay all dividends out of its profits. The Company Board of Directors may also declare an interim dividend without the approval of its shareholders. All dividends are paid pro rata among the shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address.

7. **SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)**

Bonus and Rights Issues

The Company Board of Directors may, with approval by the shareholders at a general meeting, capitalise any reserves or profits (including profit or moneys carried and standing to any reserve) and distribute the same as bonus shares credited as paid-up to the shareholders in proportion to their shareholdings. The Company Board of Directors may also issue rights to take up additional ordinary shares to shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue.

Liquidation or Other Return of Capital

If the Company liquidates or in the event of any other return of capital, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares (if applicable).

Indemnity

As permitted by Singapore law, the Articles of Association provide that, subject to the Companies Act, the Company Board of Directors and officers shall be entitled to be indemnified by the Company against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. The Company may not indemnify directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Company.

Limitations on Rights to Hold or Vote on Shares

Except as described in "Voting Rights", there are no limitations imposed by Singapore law or by the Articles of Association on the rights of non-resident shareholders to hold or vote on ordinary shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:-

- (a) the affairs of the Company are being conducted or the powers of the Company Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

- (b) the Company takes an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of the Company in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, the Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's shares by the other shareholders or by the Company and, in the case of a purchase of shares by the Company, a corresponding reduction of its share capital; or
- (e) provide that the Company be wound up.

7.1.12 Exchange Control and Repatriation of Capital and Profits

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of our Companies' securities.

7.1.13 Dividend Distributions

Singapore adopts a one-tier corporate tax system. Under the one-tier corporate tax system, the tax paid by Singapore tax resident companies is a final tax. Any dividends paid by Singapore tax resident companies are exempt from Singapore income tax in the hands of their shareholders. A company is regarded as tax resident in Singapore if the control and management of its business is exercised in Singapore. Normally, control and management of the company is vested in its board of directors and place of residence of the company is where its directors meet.

As the Companies are Singapore tax residents, the dividends payable by the Companies will be one-tier tax exempt dividends and will be exempt from Singapore income tax in the hands of our shareholders, regardless of their legal form or tax residence status. There will be no tax credits attached to these dividends. There is no withholding tax on payment of dividends to non-resident shareholders.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

7.2 SALIENT LAWS AND REGULATIONS IN THE PRC**7.2.1 PRC Legal System**

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents. The National People's Congress of the People's Republic of China ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC. The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

7.2.2 Judicial System

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution (中华人民共和国宪法) and the Law of Organisation of the People's Courts of the People's Republic of China (中华人民共和国人民法院组织法), the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal, administrative and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (中华人民共和国民事诉讼法) (the "Civil Procedure Law") adopted on 9 April 1991 and amended on 28 October 2007. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months. According to the amendment dated 28 October 2007, the time limit for application of enforcement by both individuals and entities will be two years with effect from 1 April 2008.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

7.2.3 Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (中华人民共和国仲裁法) (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee. A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

7.2.4 Summary of the PRC Foreign Investment Laws

The foreign investment legal system is an independent legal system, which constitute the PRC investment legal system with the legal system solely or mainly applicable to domestically funded enterprises collectively. However, a trend gradually emerged to unify the domestic and foreign investment systems currently. In the process of union, there are new laws and regulations applicable to both types of enterprises. But many laws and regulations exclusively applicable to the foreign investment remain in effect.

Foreign Investment Enterprises ("FIEs") are the principal form of foreign direct investment in PRC. According to the current classification under the laws and regulations of PRC, FIEs takes three forms: China-foreign equity joint ventures ("EJV"), China-foreign contractual joint ventures ("CJV") and wholly foreign-owned enterprise ("WFOE"). In addition to the aforesaid forms, the foreign investment may take the form of foreign investment company limited by shares.

Currently, besides the laws and regulations exclusively applicable to FIEs (such as the Law of CJV, the Law of EJV and the Law of WFOE), there are some major laws and regulations in relation to the foreign investment in PRC of which are outlined in "the Provisions on Guiding the Orientation of Foreign Investment" (指导外商投资方向规定), "the Catalogue for the Guidance of Foreign Investment Industries (Amended in 2007) (外商投资产业指导目录(2007年修订))", etc.

FIEs shall abide by the aforesaid Chinese laws and regulations and may not engage in any activities detrimental to the PRC's public interests and conduct its operation and management in accordance with the approved Articles of Association by the examination and approval authority of PRC without any interference. Furthermore, as a WFOE is a legal person in PRC, it also shall be governed by the Company Law of PRC (中华人民共和国公司法). According to the Company Law of PRC, the shareholders or investors of a company (including WFOE) shall be entitled to enjoy the capital proceeds, participate in making important decisions, exercise their voting rights at the shareholders' meetings and enjoy other rights in accordance with the relevant laws and regulations, without any limitations.

A WFOE is governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 which was amended on 12 April 2001 (collectively the "Foreign Enterprises Law"). Techsin Wuxi, being MClean's wholly-owned subsidiary in the PRC, is a WFOE and is therefore, governed by the Foreign Enterprises Law.

Procedures for Establishment of a WFOE

The establishment of a WFOE will have to be approved by the Ministry of Commerce ("MOFCOM") (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its record. A WFOE must also obtain a business licence from State Administration of Industry and Commerce ("SAIC") (or its delegated authorities) before it can commence business.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Nature

A WFOE is a limited liability company under the Foreign Enterprises Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOFCOM (or its delegated authorities) in accordance with relevant regulations with the initial instalment above 15% of the amount of capital to be contributed by the foreign investor(s) and contributed in full within 90 days from the date of issuance of the business license of the WFOE, and the last instalment contributed within two (2) years from the date of issuance of the business license.

Repatriation of Capital and Profits

Foreign capital's entry into or out of PRC shall be subject to the supervision of the MOFCOM (or its delegated authorities). According to the Foreign Enterprises Laws, a WFOE is required to obtain a prior approval for its total amount of investment, registered capital, sources of funds, the method and time limit of contribution of capital. Where a major change in a WFOE's capital occurs due to any reason (including but not limited to division, merger, property transfer, the increase or assignment of the registered capital, etc.), an approval of MOFCOM (or its delegated authorities) and a record of SAIC (or its delegated authorities) also are required. A WFOE should not reduce its registered capital during its term of operation, unless the MOFCOM (or its delegated authorities) approves. Further, prior to completion of the liquidation of a WFOE, the foreign investor can not remit or carry the investment capital out of the PRC or dispose of the WFOE's property on its own authority. Upon completion of the liquidation, if the sum of WFOE's net assets and residual property exceed its registered capital, the excess portion may be regarded as profit on which an income tax shall be imposed in accordance with the tax laws of PRC. When a WFOE liquidates and disposes of its property, domestic enterprises or other organizations of PRC shall have a preemptive right to purchase its property under equal conditions.

In addition to the aforesaid supervision of the MOFCOM (or its delegated authorities), the repatriation of foreign capital into and from the PRC shall abide by the relevant provisions of the State Administration of Foreign Exchange ("SAFE"). Please refer to Section 7.2.6 of this Prospectus for detailed regulations of the SAFE.

The Foreign Enterprises Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up. A WFOE may make profit distribution after payment of taxes and allocation of statutory funds.

The foreign investor in a WFOE may remit abroad the profits that are lawfully earned from an enterprise with its investment, as well as other lawful earnings and any funds remaining after the enterprise is liquidated.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Repatriation of the dividends declared requires submission to, inspections and examination of relevant documents by designated banks. The examination is merely administrative provided all the requisite documents are complete and in order. Dividends will be converted into foreign exchange for repatriation out of PRC by making withdrawals from their foreign exchange accounts or purchasing the necessary foreign exchange at designated foreign exchange banks.

Pursuant to the Notice on Reduction of Income Tax in Relation to Interests and Gains Derived by Foreign Enterprises from the PRC (国务院关于外国企业来源于我国境内的利息等所得减征所得税问题的通知) promulgated by the State Council on 18 November 2000, for foreign enterprises which have no establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, 10% withholding tax is applicable to their interest, rent, royalties and other income from PRC.

In this respect, the abovementioned notice was subsequently gazetted via the Enterprises Tax Law of PRC which was promulgated on 16 March 2007 and came into effect as of 1 January 2008, and its implementation regulations, for a non-resident enterprise with no office or establishment inside the PRC, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside the PRC, it shall pay enterprise income tax on the incomes derived from the PRC, being subject to an enterprise income tax of 10%.

Liquidation

A WFOE, which has been terminated on account of the expiration of its term of operation, heavy losses and mismanagement, or the force majeure, shall make a public announcement and notify its creditors within 15 days from the date of termination. In addition, it shall, within 15 days from the date of issuance of the public announcement of termination, submit a proposal to the examination and approval authorities concerning the procedure and principles of liquidation and the candidates for the liquidation committee, and implement the same upon examination and approval by the examination and approval authorities.

A WFOE, which is terminated on account of the dissolution or bankruptcy under a court ruling, or the closing up, revocation of business license, revocation of establishment approval, or revocation of company establishment registration upon an order of the relevant local Administration for Industry and Commerce, shall be liquidated by reference to the PRC on Enterprise Bankruptcy (中华人民共和国企业破产法) which was promulgated by the Standing Committee of the National People's Congress ("NPC") on 27 August 2006 and took into effect on 1 June 2007, and other relevant PRC laws and regulations.

Catalogue for the Guidance of Foreign Investment Industries

The Catalogue for the Guidance of Foreign Investment Industries (Amended in 2007) divides foreign investments into four categories as follows:-

- (a) **Encouraged Category.** There are various incentives and preferential treatments for "encouraged" projects, mainly tax exemptions and rebates. Most foreign investment projects in the "encouraged" sector are allowed to take the form of WFOE;

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

- (b) Permitted Category. Sectors not listed therein belong to the "permitted" category and they are determined by the rule of exception. Like those in the "encouraged" sector, foreign investment projects in the "permitted" sector are allowed to take the form of WFOE. However, they are generally not eligible for extra incentives and preferential treatments;
- (c) Restricted Category. There are stricter approvals or filing requirements for "restricted" projects. Furthermore, foreign investment projects in the "restricted" sectors may be required to take the form of Joint Venture. The foreign investors may only hold a minority interest in the investment projects; and;
- (d) Prohibited Category. Foreign investments are not allowed in these sectors.

Techsin Wuxi's business falls within the scope of Encouraged Category and Permitted Category. Accordingly, there are no legal obstacles for the foreign investor's entry into the line of businesses engaged in by Techsin Wuxi.

7.2.5 Summary of PRC Taxation Laws

Income Tax

The applicable income tax laws, regulations, notices and decisions related to foreign investment enterprises and their investors include the follows:

- (i) Notice Relating to Taxes Applicable to Foreign Investment Enterprises / Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares (关于外商投资企业、外国企业和外籍个人取得股票(股权)转让收益和股息所得税收问题的通知) promulgated by State Tax Bureau on 21 July 1993;
- (ii) Notice on Relevant Policies Concerning Individual Income Tax (关于个人所得税若干政策问题的通知) issued by Ministry of Finance and the State Tax Bureau on 13 May 1994;
- (iii) Notice on Reduction of Income Tax in Relation to Interests and Gains Derived by Foreign Enterprises from the PRC promulgated by the State Council on 18 November 2000;
- (iv) The Income Tax Law Applicable to Individuals of the PRC (中华人民共和国个人所得税法) promulgated by the Standing Committee of NPC on 10 September 1980, and amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007 and 29 December 2007 respectively, with the latest amendment coming into effect as of 1 March 2008;
- (v) The PRC Enterprises Income Tax Law (中华人民共和国企业所得税法) promulgated by the NPC on 16 March 2007 and came into effect from 1 January 2008 ("New Enterprise Income Tax Law");

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

- (vi) Implementing Regulations of the PRC Enterprises Income Tax Law (中华人民共和国企业所得税法实施细则) promulgated by the State Council on 6 December 2007 and came into effect from 1 January 2008 ("Implementing Regulations of New Enterprise Income Tax Law"); and
- (vii) Circular concerning Implementation of Preferential Policy of Enterprise Income Tax in Transition Period (国务院关于实施企业所得税过渡优惠政策的通知) effective on 26 December, 2007.

Income Tax on Foreign Investment Enterprises

According to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法) and its implementations rules (collectively referred to as "Former Foreign Enterprises Tax Law") which have been replaced by the New Enterprise Income Tax Law, before 1 January 2008, FIEs were required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

A foreign investment manufacturing enterprise having a period of operation of not less than ten years shall be exempted from national income tax for the first two profit-making years and a 50% reduction in the national income tax payable for the next three years ("Two-year Exemption and Three-year 50% Reduction"). The income tax concession for foreign investment enterprises engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council.

Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological zones may pay national income tax at a reduced rate of 15%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay national income taxes at a reduced rate of 24%. A reduced national income tax rate of 15%, may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State.

Losses incurred in a tax year may be carried forward for not more than five years.

The people's governments of provinces, autonomous regions and municipalities directly under the central government may grant exemptions from or reduce local income tax for a foreign investment enterprise engaged in an industry or a project encouraged by the State.

Pursuant to the New Enterprise Income Tax Law promulgated by the NPC on 16 March 2007, with effect from 1 January 2008, foreign investment enterprises are required to pay an income tax at a rate of 25% of their taxable income. Enterprises set up with approval prior to the promulgation of this Enterprise Income Tax Law that enjoy low preferential tax rate in accordance with the tax laws and administrative regulations at the current period may, pursuant to the provisions of the State Council, gradually transit to the tax rate provided herein within five years of the implementation of this law. Where such enterprises enjoy regular tax exemption and reduction, the treatment continues to apply until expiry after the implementation of this law.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

However, those that fail to be entitled to this treatment by reason of not making any profits, the preferential period shall be calculated from the year this law is implemented.

On 26 December 2007, the State Council promulgated the Circular concerning Implementation of Preferential Policy of Enterprise Income Tax in Transition Period (国务院关于实施企业所得税过渡优惠政策的通知) (the "Circular"). Pursuant to the Circular, an enterprise which enjoyed preferential treatment shall gradually transit to the rate of 25%, i.e. an enterprise that used to enjoy the preferential enterprise income tax of 24% should be subject to the enterprise income tax of 25% from 1 January 2008 whilst an enterprise that used to enjoy the preferential enterprise income tax of 15% should be subject to the enterprise income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 respectively. For the enterprise enjoying preferential policy of Two-year Exemption and Three-year 50% Reduction will continue such enjoyment until its preferential period is completed according to the original PRC laws, administrative regulations and provisions. However, regarding those enterprises that have not enjoyed the aforesaid preferential policy due to them not being profit-making, the preferential period shall commence from 1 January 2008.

According to Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies in Respect of Enterprise Income Tax (财政部、国家税务总局关于企业所得税若干优惠政策的通知) (hereinafter referred to as the "FM&SAT Notice") announced on 22 February 2008, other than the preferential policies provided by New Enterprise Income Tax Law, the Implementing Regulations of the New Enterprise Income Tax Law, the Circular concerning Implementation of Preferential Policy of Enterprise Income Tax in Transition Period, the Notice of State Council concerning the Transitional Preferential Tax on the High-tech Enterprises Newly Incorporated in Special Economic Zones and Shanghai Pudong New District (国务院关于经济特区和上海浦东新区新设立高新技术企业实行过渡性税收优惠的通知) and the FM&SAT Notice, all the preferential policies on enterprise income tax implemented before 1 January 2008 are annulled. None of the various regions or departments shall exceed the power to issue preferential policies on enterprise income tax.

Value Added Tax

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例) adopted by the State Council on December 13, 1993 and revised on November 10, 2008. Under these regulations and the newly amended Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例实施细则), value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:-

- (i) tax rate for goods sold or imported by taxpayers other than the goods set forth in Items (ii) and (iii) below shall be 17%.
- (ii) The tax rate for sale or import of the following goods by taxpayers shall be 13%
 - (a) grain, edible vegetable oil;
 - (b) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

- (c) books, newspapers, magazines;
- (d) feed, chemical fertiliser, agrochemicals, agricultural machinery, agricultural film; and
- (e) other goods specified by the State Council.
- (iii) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
- (iv) The tax rate for processing and repair and replacement services provided by taxpayers shall be 17%.
- (v) The tax rate for the small-scale taxpayers shall be 3%.

Business Tax

The Provisional Regulations of the People's Republic of China Concerning Business Tax (中华人民共和国营业税暂行条例) adopted by the State Council on December 13, 1993 and revised on November 5, 2008. Under these regulations and the newly amended Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Business Tax (中华人民共和国营业税暂行条例实施细则), businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers that settle their amounts of business income in foreign exchange shall convert the amounts into RMB at the foreign exchange market rate.

Tax on Dividends from PRC Enterprise with Foreign Investment

According to the New Enterprise Income Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 20.0% withholding tax, which is subject to reduction as provided in Implementing Regulations of New Enterprise Income Tax Law promulgated by the State Council and subject to any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable foreign enterprises tax laws and regulations. Pursuant to Implementing Regulations of New Enterprise Income Tax Law, the tax rate of dividends distributed to foreign investors which has no establishment in the PRC is reduced to 10%. However, following the enforcement of the New Enterprise Income Tax Law from 1 January 2008, dividends of the year 2008 and the years afterwards distributed from foreign investment enterprises to foreign investors shall be subject to the enterprise income tax at a rate of 10%. Profits accumulated by foreign investment enterprises before 1 January 2008 but distributed to foreign investors after 1 January 2008 are exempted from the enterprise income tax.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Deed Tax

Under the People's Republic of China Tentative Regulations on Deed Tax (中华人民共和国契税暂行条例) promulgated by the State Council on 7 July 1997 and came into effect on 1 October 1997, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- (a) grant of use right of state-owned land;
- (b) sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- (c) sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中华人民共和国城镇土地使用税暂行条例) promulgated by the State Council on 27 September 1988 and implemented on 1 November 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.2 and RMB10 and be collected according to the tax rate determined by the local tax authority.

According to the Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China (关于对外商投资企业和外国企业在中国机构的用地不征收土地使用税的通知) promulgated by the MOFCOM on 2 November 1988 and the Approval on Land Use Tax Exemption of Foreign-Invested Enterprises (关于外商投资企业免征土地使用税问题的批复) issued by State Administration of Taxation on 27 March 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on 31 December 2006.

As of 1 January 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Land Appreciation Tax

Under the PRC Tentative Regulations on Land Appreciation Tax (中华人民共和国土地增值税暂行条例) of 1994 and its implementation rules of 1995, Land Appreciation Tax applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

- (a) payment made to acquire land use rights;
- (b) costs and charges incurred in connection with land development;
- (c) construction costs and charges in the case of newly constructed buildings and facilities;
- (d) assessed value in the case of old buildings and facilities;
- (e) taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- (f) other items allowed by the Ministry of Finance.

The tax rate is separated into four categories of progressive tax rates, ranging from 30% to 60% of the appreciation value as compared to the "deductible items".

Stamp Duty

Under the People's Republic of China Tentative Regulations on Stamp Duty (中华人民共和国印花税暂行条例) promulgated by the State Council on 6 August 1988 and came into effect on 1 October 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

PRC Customs Duties

According to the Customs Law of the PRC, the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The Customs is the authorities in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempt from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage the introduction of foreign investment, as of 1992, the PRC exercised exemption and reduction of customs duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies. But after the adjustment of policies as of 1 April 1996, such exemption and reduction has been terminated, while the foreign investment companies incorporated before then can still continue to enjoy such preferential treatment within the grace period.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

As from 1 January 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment, in respect of the foreign investment projects that fall under Encouraging Category and Restricted B Category of the Industrial Guidance Catalogue of Foreign Investment and also involve the transfer of technology, the equipment imported for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

7.2.6 Foreign Exchange Control

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The People's Bank of China ("PBOC"), with the authorities of the State Council, issued on 28 December 1993, the Notice on the Further Reform of the Foreign Exchange Control System (中国人民银行关于进一步改革外汇管理体制的公告) and on 26 March 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理暂行规定) which came into effect on 1 April 1994 respectively. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations (中华人民共和国外汇管理条例) which took effect on 1 April 1996 and was revised respectively on 14 January 1997 and 5 August 2008. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理规定) to replace the above Provisional Regulations, which took effect on 1 July 1996. On 25 October 1998, PBOC and the SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business (关于停办外汇调剂业务的通知) which stated that from 1 December 1998, all foreign exchange transactions for FIEs may only be conducted through authorised banks.

On 21 July, 2005, the Public Announcement of the People's bank of China on Reforming the RMB Exchange Rate Regime (the "Announcement") (完善人民币汇率形成机制改革有关事宜公告) was promulgated by PBOC. In accordance with the Announcement, the PRC government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, giving more flexibility as compared with the former system in which the RMB was pegged to the US dollar. Under such reformed system, the PBOC announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by the PBOC as a basis and decide a rate of their own to enter into foreign exchange sale and purchase transactions with customers, such rate shall be within a specified floating band around the central parity which may be adjusted by the PBOC from time to time according to the economic and financial condition in the PRC.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

In accordance with the new Foreign Exchange Administration Regulations of PRC promulgated on 5 August 2008, the RMB exchange rate regime is a managed floating exchange rate regime based on market supply and demand. All domestic entities and individuals, including FIEs, may remit their foreign exchange income to the PRC or retain their foreign exchange income outside the PRC. Foreign exchange earnings under current account may be retained or be sold to designated financial institutions. Before retaining the foreign exchange income under capital account or selling it to any designated financial institution, the approval of the competent SAFE branch shall be obtained, unless it is otherwise provided by the state.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the State Administration of Foreign Exchange.

In addition, where an enterprise requires any foreign exchanges for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a FIE to its foreign investment party, then subject to the due payment of tax on such dividends the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the resolutions of the board of directors on the profit distribution plan of the enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval or registration procedure at SAFE (or its designated authorities) is still required for a PRC enterprise before it borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (中国外汇交易中心) ("CFETC") was formally established and came into operation in April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through Swap Centre or through designated PRC banks. From 1 December 1998 onwards, exchange transactions will have to be conducted through designated banks. Swap Centres became restricted to conducting foreign exchange transaction between authorised banks and inter-bank lending between PRC banks.

On 21 October 2005, the SAFE has issued the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Round-trip Investment via Overseas Special Purpose Vehicles ("SPVs") (关于境内居民通过境外特殊目的公司境外融资及返程投资外汇管理有关问题的通知) which came into force on 1 November 2005 (the "Notice 75").

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

Under the Notice 75, a domestic resident shall, before establishing or controlling an overseas special purpose company, bring the following materials to the local branch or department of foreign exchange administration (the "foreign exchange office") to apply for foreign exchange registration of overseas investments:-

- (i) a written application (which shall state in detail the basic information on the domestic enterprise, the stock right structure of the overseas special purpose company, and the overseas financing arrangements);
- (ii) the documents on registration of the domestic resident legal person within the PRC, or the identity card in the case of a domestic resident natural person;
- (iii) the letter regarding commercial plans on overseas financing;
- (iv) the official reply on the ratification of the sources of the domestic resident legal person's foreign exchange funds (assets), and the approval document of the overseas investment administrative department;
- (v) the "Certificate of Foreign Exchange Registration of Overseas Investments" filled out by the domestic resident legal person, or the "Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident" filled out by the domestic resident natural person; and
- (vi) other testimonials on the authenticity.

Where a domestic resident has established or controlled an overseas special purpose company abroad and has accomplished return investment but fails to comply with the legal provisions to make foreign exchange registration of the overseas investments before 31 March 2006, it shall, in accordance with Notice 75, go to the local foreign exchange office to conduct a supplementary foreign exchange registration (补登记) of the overseas investments. The foreign exchange office shall, after examining and checking the abovementioned materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the "Certificate of Foreign Exchange Registration of Overseas Investments" or the "Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident".

In addition, pursuant to the Notice 75, where injecting assets or equity it owns in a domestic enterprise into an SPV, or carrying out offshore equity financing after injecting assets or equity into an SPV, a domestic resident shall carry out the procedures for amendment registration (变更登记) of the offshore investment-related foreign exchange to reflect the net assets or equity it holds in the SPV, and the changes thereto. Where carrying out such procedures, the following materials should be submitted:-

- (i) a written application (which shall contain a detailed description of the process of the shareholders and equity changes in the domestic enterprise and the SPV and of the pricing method of the assets or equity of the domestic enterprise and the SPV);
- (ii) the Foreign Exchange Registration Certificate for Offshore Investment completed by the Domestic Legal Person Resident or the Registration Form of Foreign Exchange of Offshore Investment by a Domestic Individual Resident completed by the domestic natural person resident;

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

- (iii) the verification and approval and record filing documents for the reverse investment from the authority in charge of foreign investment;
- (iv) the written confirmation of the value of the domestic enterprise's assets or equity issued by the authority in charge of the administration of state-owned assets when state-owned assets are involved;
- (v) the supporting documents of the SPV, such as the offshore registration, business license, etc.; and
- (vi) other authentic supporting materials.

Since the ultimate shareholder of Techsin Wuxi is not a PRC domestic resident, the Notice 75 shall not apply to the IPO.

7.2.7 Merger and Acquisition Rules

On 8 August, 2006, MOFCOM, China Security and Regulatory Commission ("CSRC") and four other PRC authorities at state level promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (关于外国投资者并购境内企业的规定) (the "M&A Rules"), which became effective on 8 September 2006.

It is applicable to, amongst other matters, a foreign investor's purchase of equity interests in a domestic PRC enterprise or subscription of a domestic company's capital, resulting in the conversion of a domestic PRC company into a newly established FIE; or a foreign investor's establishment of a FIE and purchase through such FIE, the assets of domestic PRC enterprise and use of such assets to invest in and establish a FIE to operate such assets. Pursuant to the M&A Rules, the listing of offshore special purpose vehicle ("SPV") which are, directly or indirectly, established or controlled by PRC entities or individuals are subject to a prior approval from the CSRC.

On 21 September 2006, the CSRC promulgated Guidelines on Domestic Enterprises Indirectly Issuing or Listing and Trading Their Stocks on Overseas Stock Exchanges ("CSRC Guidelines"). The CSRC Guidelines provide that SPVs referred to in Article 39 and 40 of the M&A Rules are subject to the CSRC Approval.

As Techsin Wuxi is a FIE at the time of establishment other than a domestic company, the M&A Rules are therefore not applicable to Techsin Wuxi, and accordingly the IPO is not subject to the CSRC Approval.

7.2.8 Labour Law

We are subject to the Labour Law of the PRC (中华人民共和国劳动法). Companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

The principal regulations governing the employment contract is the PRC Employment Contracts Law (中华人民共和国劳动合同法) (the "Employment Contracts Law"), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

Pursuant to the Employment Promotion Law of the PRC (中华人民共和国就业促进法) with effect from 1 January 2008, recruitment units should provide equal employment opportunities and fair employment conditions when recruiting employees. No employment discrimination will be allowed. The State protects female employees in that men and women have equal employment rights. Except as required by the State, employers must not refuse to employ women due to their gender or raise the employment standard for women. Additionally, employers are not allowed to include any restriction regarding the marital status or pregnancy of female employees in employment contracts. Employers should also provide suitable care to employees from minority ethnic groups in accordance with the laws, and not discriminate against the disabled. Furthermore, they are not permitted to reject employment on the basis of the employees having a contagious disease or discriminate against workers from rural areas.

Under the Interim Regulations Concerning the Levy of Social Insurance Fees (社会保险征缴暂行条例) implemented on 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (社会保险登记管理暂行办法) adopted since 19 March 1999, employers in the PRC should register social insurance with the social insurance authorities, and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Regulation on Occupational Injury Insurance (工伤保险条例) which took effect as of 1 January 2004, employers should pay occupational injury insurance fees for their employees.

Under the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企业职工生育保险试行办法), effective as of 1 January 1995, employers should pay maternity insurance fees for their employees.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

The Social Insurance Law of the PRC (中华人民共和国社会保险法) was promulgated by the National People's Congress on 28 October 2010 and will come into effect on 1 July 2011. The Social Insurance Law covers pension, medical treatment, unemployment, work-related injury, maternity and other social security issues. The Social Insurance Law makes five major social insurance systems established at the level of the national legislation, as well as the system for the cross-regional settlement of medical expenses. The Social Insurance Law also stipulates an obligation to pay social security fund, medical insurance fund, and work-related injury insurance fund in advance. If an injury or work-related injury is caused by a third party, who either refuses to pay the corresponding medical expense or who cannot be ascertained, medical insurance fund and work-related injury insurance fund shall provide advance payment and pursue legal action against the responsible third party. Such arrangement may solve the present problem for the social insurance participants who have no choice but to pay for the medical expenses themselves because the responsible third party is either unascertained or refuses to pay. In addition, migrant workers, farmers, and foreigners working within the territory of the PRC, shall participate in social insurance with reference to the Social Insurance Law, which reflects its broad subject matter coverage. Furthermore, employers are obligated to undertake registration procedures for social insurance, pay social insurance premiums in full, and are subject to legal liabilities for unlawful practice.

According to the Regulation Concerning the Administration of Housing Fund (住房公积金管理条例) implemented on 3 April 1999 and amended on 24 March 2002, employers in the PRC must register with the housing fund management center. Employers will then need to open housing fund accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

7.2.9 Environmental Protection Regulations

Pursuant to the Environmental Protection Law of the PRC (中华人民共和国环境保护法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

Under the Prevention of Water Pollution Law (中华人民共和国水污染防治法) effective as of 1 November 1984, as amended on 15 May 1996 and 28 February 2008, companies which discharge pollutants directly or indirectly into bodies of water must register with the environmental protection department of the local government at county level or above in the area where they are situated. Such companies must provide information on their facilities which discharge such pollutants, their treatment plants, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations set by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment plants also require the approval of the environmental protection department of the local government at county level or above.

The Law of the PRC on the Prevention and Control of the Atmospheric Pollution (中华人民共和国大气污染防治法) (the "Atmospheric Pollution Prevention Law") promulgated by the Standing Committee of NPC on 5 September 1987, which was last revised on 29 April 2000, establishes the provisions on the prevention, treatment and management of the atmospheric pollution. New construction project, expansion, or reconstruction project that discharges pollutants into the air shall comply with the Atmospheric Pollution Prevention Law and other relevant regulations on environmental protection. Enterprises that discharge pollutants into the atmosphere must report to the local administrative department of environmental protection its existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department relevant technical data concerning the prevention and control of atmospheric pollution.

The Laws of the PRC on the Prevention and Control of the Noise Pollution (中华人民共和国环境噪声污染防治法) (the "Noise Pollution Prevention Law") promulgated by the Standing Committee of NPC on 29 October 1996 establishes the provisions of the prevention, treatment and management of noise pollution. New construction project, expansion, or reconstruction project that discharges noise which may disturb the surrounding living environment shall comply with the Noise Pollution Prevention Law. Enterprises that make noise pollution must report to the local administration department of environmental protection its existing facilities which create and abate noise and the noise level emitted under normal operation conditions, and also submit to the same department relevant technical data concerning the prevention and control of noise pollution.

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7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

The Laws of the PRC on the Prevention and Control of the Solid Waste Pollution (中华人民共和国固体废物污染环境防治法) (the "Solid Waste Pollution Prevention Law") promulgated by the Standing Committee of NPC on 30 October 1995 and revised on 29 December 2004, establishes the provisions of the prevention, treatment and management of solid pollution within the Chinese territory. New construction project, expansion, or reconstruction project that discharges solid pollutants shall comply with the Solid Waste Pollution Prevention Law and other state regulations on environmental protection. The PRC institutes a system of declaration and registration for discharge and treatment of the industrial solid waste. The entities discharging industrial solid waste shall, in accordance with the regulations enacted by the environmental protection administrative department of the State Council, provide information about the categories, discharging amount, flow direction, storage, treatment and other materials concerning industrial solid waste to the environmental protection administrative department of the local government at or above the county level where such entities are located. The relevant state regulations should be abided by before and during the carrying out of construction projects which discharge industrial solid waste and projects relating to the storage, use and treatment of such waste.

According to the Environmental Protection Administration Regulations for Construction Projects (建设项目环境保护管理条例) effective as of 29 November 1998 and the Law on Environmental Impact Appraisal of the PRC (中华人民共和国环境影响评价法) effective as of 1 September 2003, the State has set up a system to appraise and evaluate the environmental impact caused by construction projects. Construction units shall submit the environmental impact documents to competent environment authorities for approval, and cannot commence construction without the approvals from competent environment authorities.

According to the Classified Directory for Environmental Protection Administration of Construction Project (建设项目环境保护分类管理名录) effective as of 1 January 2003, cement producing units are required to submit environmental impact reports to competent environment authorities for approval.

7.2.10 Production Safety Law

Pursuant to the Production Safety Law of the PRC (中华人民共和国安全生产法), effective as of 1 November 2002, production and operating enterprises should be equipped with the safety conditions for production as set out in the Production Safety Law of the PRC and other relevant laws, administrative regulations, national standards and industrial standards.

Any entity that does not comply with such safety conditions will not be allowed to engage in any production or operating activities. Production and operating units should provide education and training programs to their employees regarding production safety. The design, manufacturing, installation, application, checking, maintenance, reforming and abandonment of safety facilities should follow the national standards or industrial standards. In addition, production and operating units should provide employees with protective equipment that meet national standards or industrial standards, and educate and supervise them in strictly complying with the production rules and regulations and operating procedures of the relevant units regarding safety.

7. SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)

7.2.11 Product Quality Law

According to the Product Quality Law of the PRC (中华人民共和国产品质量法, the "Quality Law") effective as of 1 September 1993, and as amended on 8 July 2000, the production and sale of any product within the PRC will be subject to the Quality Law, and producers and sellers shall set up a system on internal quality management, and be liable for product quality in accordance with this law.

7.2.12 Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (中华人民共和国消费者权益保护法), which was promulgated on 31 October 1993 and came into effect on 1 January 1994.

According to the Consumer Protection Law of the PRC, the rights and interests of the consumers who buy or use commodities for the purpose of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties.

7.2.13 Foreign Trade and Customs

Pursuant to the Foreign Trade Law of the PRC (中华人民共和国对外贸易法) adopted on 12 May 1994 and amended on 6 April 2004 by the Standing Committee of the NPC and implemented since 1 July 2004, the State allows free import and export of goods and technologies, unless it is otherwise provided under the laws and administrative regulations that the import and export of goods and technologies shall be restricted or prohibited (i) for the purposes of the public safety, public interests or morals; (ii) in order to protect the human health or security, the animals and plants life or health or the environment, implement the measures in respect of the importations and exportations of gold or silver, establish or accelerate the establishment of a particular domestic industry, or maintain the State's international financial status and the balance of international payment; (iii) in the case of domestic shortage in supply or the effective protection of exhaustible natural resources, the limited market capacity of the importing country or region, or the occurrence of serious confusion in the export operation order; or (iv) for the necessary restriction on the import of agricultural, animal husbandry or fishery products in any form, etc.

Pursuant to the Regulations of the PRC on the Administration of the Import and Export of Goods (中华人民共和国货物进出口管理条例) promulgated on 10 December 2001 and implemented since 1 January 2002 by the State Council, an automatic import license is required for the goods to be imported through the automatic import licensing system. Such license shall be granted by competent authority upon application. The customs shall clear the custom duty upon presentation of such automatic license in relation to the goods.

7. **SUMMARY OF SALIENT FOREIGN LAWS AND REGULATIONS (Cont'd)**

Pursuant to the Customs Law of the PRC (中华人民共和国海关法) adopted on 22 January 1987 and amended on 8 July 2000 by the Standing Committee of the NPC and implemented since 1 January 2001, unless otherwise provided, all imported and exported goods shall be declared and duties on them shall be paid by their consignor or consignee, or by a declaration enterprise entrusted by the consignor or consignee and approved by and registered with the customs. No enterprises or persons can make declarations without registering with customs or obtaining the relevant qualifications for declaration in accordance with the laws.

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8. EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA)



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The Board of Directors
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Dear Sirs

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, PEOPLE'S REPUBLIC OF CHINA) FOR MCLEAN TECHNOLOGIES BERHAD ("MCLEAN" OR "COMPANY")

We, Frost & Sullivan Malaysia Sdn Bhd ("Frost & Sullivan"), have prepared the Executive Summary of the Independent Market Research on the Precision Cleaning Service in the Hard Disk Drive Industry (Singapore, People's Republic of China) ("Report") for inclusion in the Prospectus of MClean in relation to the Initial Public Offering exercise of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview and future prospects of the precision cleaning service in the hard disk drive industry.

8. **EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA) (Cont'd)**

Executive Summary

The Hard Disk Drive (HDD) Industry Value Chain

The HDD value-chain illustrates the critical path for fabricators and manufacturers in the HDD assembly. There are three general stages in the value chain which is Components Fabrication, Sub-Assembly and Final Assembly.

Components Fabrication

Raw materials are procured and fabricated into components that make up the HDD such as disk substrates from glass or aluminum; metallic precision parts such as spindles, springs, and screws; plastic molded items such as disk ramps, spacers and filters; and HDD packaging such as base plates and plastic covers. In parallel to this is also the fabrication of plastic containers used for packing the components such as the carriers and cassettes, and the trays used in the Final Assembly production line.

Sub-Assembly

This is the critical stage where every component and container must be precision cleaned before entering the clean room. Precision cleaning refers to cleaning at a very exacting standard whereby the level of cleanliness is measured at sub-micron levels. The HDD internal mechanism is very sensitive to micro-particles and may not function properly in the presence of surface contaminants. A clean room is a controlled environment with low levels of contaminant. The cleanliness is specified by the number of particles per cubic meter at a specified particle size. The industry has adopted the ISO 5 (Class 100) clean-room as standard which means that there cannot be more than 1 particle that is equal or larger than 100 micrometers per 0.1 square meter surface area. Depending on the level of vertical integration within the process, the precision cleaning is often conducted in-house by HDD manufacturers. However due to the large volume of production, many manufacturers now are outsourcing this area of the value chain to third party specialists in the area of precision cleaning to concentrate on their core manufacturing areas.

After being precision cleaned, some components are sent for the next process in sub-assembly, and all processes from this point onwards would be conducted in a clean room environment. For example, the cleaned disk substrates undergo the magnetic coating process

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(media layer). Other parts are transported to component assemblies to produce mechanisms such as motors and drive heads. All of these parts are then packed into their specific cleaned containers which are then wrapped in clean-room polybags to ensure no re-contamination occurs during transportation before finally being transported to the HDD assembly facility.

Final Assembly

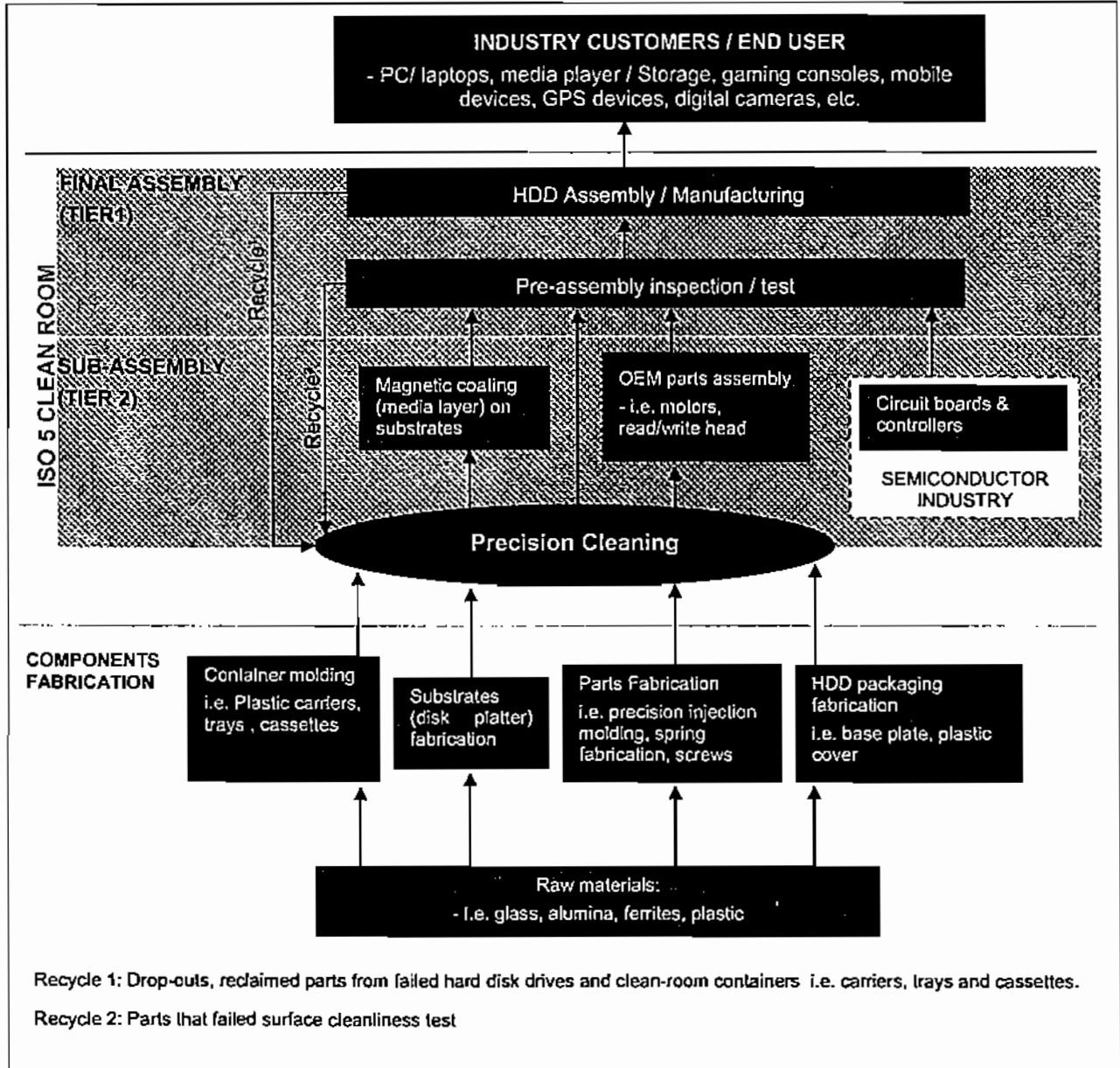
The HDD production line employs fully-automated assembly machines and operates in a clean room environment. Parts are loaded into the front end of the machines and the end product is the fully assembled HDD. The Final Assembly item consists of all the precision parts, mechanism, HDD casing, disks and semiconductor controller chips. All of these items are batch tested for cleanliness before entering the assembly line. Failed batches are returned to suppliers or re-washed in-house and fed back into the machines. During the final assembly, some components may drop out of the production line. These 'drop-outs' are collected and recycled where it will be inspected and washed before re-entering the assembly. The assembled HDDs are then tested for quality. Failed products are stripped apart and parts that did not contribute to the HDD failure such as the casing and fasteners are recycled and re-washed to be used back in the assembly. The production line accessories (or containers) such as the carriers, cassettes and trays are also recycled and re-washed. These items, although owned by the HDD makers are normally returned to the suppliers to be inspected for damage, cleaned and re-used. Increasingly, HDD makers are starting to outsource their containers inventory management to their suppliers. The HDDs are then delivered to end-users in the electronics industry that produce laptops, media players, gaming consoles, GPS devices, data storage units, and other consumer electronic devices.

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HDD Industry Value Chain



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

This report will focus on the precision cleaning service in the HDD industry. As the precision cleaning service is closely tied to the electronics industry, this report also provides an overview of the electronics industry, specifically the HDD industry.

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Precision Cleaning Definition and Segmentation

Precision cleaning is a technique or method for cleaning to a very exacting standard in order to achieve consistent surface purity with very low tolerance of sub-micron particles or left over contaminants. The cleaning agents used are specialized and must also not leave any residue of its own. Industries that require high level of cleanliness includes aerospace, precision engineering, semiconductor and HDD. The following table lists industries and its specific precision cleaning requirements.

Industries with precision cleaning requirements

Industry	Precision cleaning requirements
Aerospace	Engine parts, manifold, actuators, turbine blades, vanes, fasteners
Automotive	Engine parts, manifold
Semiconductor	Flux removals on printed circuit boards (PCB)
Hard Disk Drive	Hard Disk Assembly parts, media disk, head stack assembly parts
Precision optic and ophthalmic	Glass moulds, contact lens, organic/mineral lens (prior to coating), laser gun sights
Precision engineering	Precision parts for instrumentation and measuring equipments
Metal	Metal surfaces (prior to surface treatment or coating)
Solar panel	Solar wafer (prior to electroplating)
Medical	Medical kits, tubes, surgical components and medical implants

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Precision cleaning is often employed to ensure reliability of performance of critical components. This means that for these applications, precision cleaning is a critical process in the overall production and the failure to comply with standards may result in failure to function or degradation of value. The risks related differs between industries and ranging from low impact such as inability to function as in the HDD or Solar Panel, to detrimental such as turbine failures for the aerospace industry or contaminated implants in the medical industry that can cause severe injury and bodily harm.

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Precision Cleaning System

The various precision cleaning techniques that are available are defined and determined by the cleanliness requirement of industry. In the HDD industry, the disk media substrate must be clean of particles up to micron levels and free from chemical residues that can cause oxidation to the magnetic layer. Such high tolerance will require an advanced cleaning technique that does not leave residue and methods currently employed in the industry is aqueous cleaning where the disk is passed through an automated cleaning system and thoroughly cleaned.

Precision Cleaning Systems

System	Description	Contaminant type
Vapor cleaning (solvent based)	This technique uses vapors of chlorinated or bromated sources of hydrocarbon solvents to dissolve and extract organic contaminants. The process is very often followed by aqueous rinsing to remove the thin film residues. This technique produces high amount of toxic waste from the solvent.	Particles, grease & non non-water soluble residues.
Aqueous cleaning	De-ionized water and surfactant system uses heat, high-pressure water jet spray, ultrasonic aggravation in submersible tanks and turbulent flushing techniques to impart surface contaminants. Parts go through drying cycle after washing.	Light soiling and surface contaminants at sub-micron tolerances.
CO2 snow cleaning (a.k.a. Blasting)	This is a dry-clean process using pure carbon dioxide snow blasted at high velocity streams towards the parts. CO2 snow generates mechanical shock upon contact with the material and displaces impurities. At room temperature, the CO2 sublimates producing no waste. However it is difficult to achieve consistency of surface cleanliness using this technique.	Light soiling and surface contaminants at sub-micron tolerances.
Supercritical CO2 fluid cleaning	The system uses carbon dioxide fluid subjected to high	Particulates, hydrocarbon deposits and organic residues

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	pressure in pressure chambers until it reaches the supercritical fluid property that are capable of dissolving and removing impurities from parts with high tolerances and difficult crevices. Parts that can be cleaned are restricted by the size of the pressure chamber. This system is very effective at displacing water from materials.	at sub-micron tolerances.
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(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Precision Cleaning for the HDD Industry

The need to keep component parts particle and contaminants-free is a crucial process in the operational efficiency and robustness of the disk drive by avoiding particles lodging, residual build-up and oxidation of magnetic surfaces. This has direct effect to production yield as defective disk drives will reduce manufacturer's profitability.

Traditionally precision cleaning is conducted in-house prior to assembly. As the global demand for HDD increases, manufacturers are finding ways to eliminate non-core processes in order to keep their operations lean. This also enables them to redirect resources to focus on research and development or further expand their final assembling facilities. By the late 1990-s to early 2000, many HDD manufacturers have specified that their component suppliers and vendors to deliver parts that have been precision-washed and are clean room ready. To ensure qualities are maintained, HDD manufacturers initiated an endorsement process to qualify third party cleaners to clean parts destined to their assembly line. Vendors also find it to be more cost-effective to outsource the cleaning due to the high overheads for setting up cleaning facilities and clean-room environment. The estimated global market for precision cleaning for the HDD industry was worth at least USD 125 million (MYR 382.6 million) in 2009.

Importance of precision cleaning to the HDD

The HDD storage capacity has increased exponentially from when it was first designed more than fifty years ago while the form factor continues to shrink. Smaller HDDs have been produced that can fit into mobile gadgets such as netbooks, GPS navigator and media playing devices. This has been possible due to the developments in the manufacturing technology

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where the disks can be produced and assembled more precisely using automation. The drive internal architecture has not changed much over the years but the fly-head tolerances of the disk stacks and reading heads have become much closer to the point that it is almost at surface contact (0.7 μm or less). During use, the disk spins at very high speeds ranging between 4,200-15,000 revolutions per minute. Any particles of size bigger than 0.5 μm will scratch the magnetic coating on the surface. The particles also can cause stiction (static friction) of the disk surface and will corrupt data. Another significant development was with the development of the perpendicular magnetic recording (PMR) technology where data is packed more closely on the surface area, doubling the disk capacity. With the denser arrangement, data footprint has reduced and reading head have shrunk to pin-size of up to 0.2 μm . The concentration level of contaminants a disk drive can tolerate has become increasingly low. Today, higher emphasis is placed on the effectiveness of the cleaning systems in removing contaminants at sub-micron tolerances. Precision cleaning has become a critical requirement for the functionality of the disk as the presence of surface contaminants inside the HDD will result in a sure disk failure.

Precision cleaning in the fabrication of hard disk media

The key component in a HDD is the hard disk media with the magnetic recording surfaces. Precision cleaning is a critical process in the preparation of this component as the disk substrates must be absolutely contaminant-free before the magnetic coating procedure. The disk substrates are precision cleaned to remove any materials residue from the machining and polishing process. A well-prepared surface will ensure there is no grit or bumps on the disk surface which may inhibit its data recording effectiveness or cause the fly head to have friction with the hard disk surface.

Precision Cleaning and Recycling

By early to mid 2000, high inventory levels and falling HDD prices sparked high demand for HDDs from the market. The rising oil price had also driven up the price for polymeric materials that makes the precision mechanical parts and carriers for the parts. In June 2008, the price of crude oil had peaked above USD 120 per barrel (MYR 367.3). In less than a decade, the price of crude oil had increased almost ten-folds. It was also no longer viable to treat the plastic trays, cassettes and carriers (collectively, "containers") that are used to transport these substrates as disposable items. These containers use high grade plastic materials which are expensive thereby contributing to higher operating costs to manufacturers. The HDD industry have developed a standard for controlling the number of allowable times a container can be recycled before the material deteriorates and must be discarded. By cleaning the plastic

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containers, manufacturers are able to save up to two-thirds of their cost as compared to buying new ones, and four-fifths of the material wastage. As organizations become more socially responsible, recycling of these containers help to avoid wastage and unnecessary accumulation of plastic waste to the environment.

Cleanliness Verification and Test Procedures

The International Disk Drive Equipment and Manufacturers Association (IDEMA)¹ developed the standards for testing surface cleanliness that has been adopted by the HDD industry to achieve consistency. Every component that enters the assembly line is required to pass the surface cleanliness test. After cleaning, the components are batch tested to ensure the surface purity is within tolerance. The tests are conducted in laboratories that are located at the vendor's premise and also in the assembly plant. Samples and its batch that failed the test will be sent for cleaning.

The cleanliness is determined by testing for surface contaminants on the components cleaned and conducting particle counts. This procedure is conducted via extracting the contaminants / particles using the various extraction methods such as Ultrasonic, Spray and Orbital Shake where water is the medium of extraction. The water collected is then hydrated and the residue is tested for existence of solids, ionic, hydrocarbon or organic materials.

Surface Cleanliness Extraction Methods and Parameters

Extraction Method	Parts	Parameters
Ultrasonic	Small metals and plastic parts	40 – 132 kHz (1-2 minutes) 10 – 30 psi (1-2 minutes) Surfactant: 0.02%
Spray	Large parts, packaging trays	Pressure: 45 psi Flow rate:350mL/min Time: 1-5 minutes
Orbital Shake	In-process assemblies, clean room consumables	Shake: 100-200 rpm Time: 5-60 minutes

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

¹ IDEMA is the trade association of HDD industry players, developers and manufacturers. The purpose of IDEMA is to promote technological, manufacturing and business needs of the HDD industry. IDEMA also develops standard and guidelines to ensure quality in the industry.

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Surface Cleanliness Test Parameters

Surface Cleanliness Test	Indicator for
Ion Chromatography	Ionic residues such as chlorides, sulphates, phosphates, etc.
Liquid-borne Particle Counter (LPC)	Solid particles concentration / count in liquid
Non-volatile residue (NVR)	Hydrocarbon residual mass
Fourier transform infrared spectroscopy (FTIR)	Organic materials up to 10 micron in size

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

The guideline recommends that all components for assembly to comply to Level 100 surface purity standard which is less than 1 unit particle per 0.1 square meter surface area, of particles less than 100 µm in diameter. However, exact standard varies between HDD manufacturers as some are more stringent than others.

Particle Cleanliness Levels for HDD industry

Level	Particle Size, µm	Count per 0.1 sq.m.	Count per sq.m.
100	5	1785	1.93
	15	265	0.268
	25	78	0.0842
	50	11	0.0119
	100	1.0	0.00108

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Precision Cleaning Industry: Strategic Analysis of Singapore

The outsourced precision cleaning service for the HDD industry in Singapore has been well established since early 2000s. Prior to that, HDD manufacturers conducted all precision cleaning activities in-house. By 2006, the precision cleaning industry in Singapore was estimated to generate at least SGD 25 million (MYR 60 million) in revenues and consists of a handful of key players. The industry suffered contraction during the 2007-2009 global financial crises by almost 20%. The main contributing factors to this include the reduced demand in the global HDD market and HDD price erosion. By the end of 2009, as the HDD market recovered,

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there has been a fair improvement in Singapore's precision cleaning industry. Currently in Singapore, the precision cleaning market for the HDD industry consists of the three main cleaning segments which are recycled trays for the HDD assembly line, HDD components and hard disk media cassettes. The CAGR for Singapore's industry during 2006-2010E was -3.8 %.

All of the industry players in Singapore have the capability to perform the precision cleaning in all of these segments however only Frontken Corporation Berhad specialises in the precision cleaning of HDD components within the HDD industry.

Market Size of Precision Cleaning Industry History, Singapore (2006-2010E)

Year	Revenues (SGD million)	Revenues (MYR million)	Growth Rate (%)
2006	25.11	60.20	--
2007	23.54	56.46	- 6.22
2008	19.62	47.06	-16.65
2009	19.94	47.82	1.62
2010E	21.51	51.59	7.89

CAGR (2006-2010E) -3.8 %

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

It should be noted that the revenues trend for this period is not the real indicator of market health as a result of an underperforming entity exiting the market. In an industry with so few players, any discrepancy in trend by one player will be greatly emphasized. Therefore, because of this, the historical trend observed is not a real reflection of the current state of industry. Excluding the underperforming entity, CAGR for the duration 2006-2009 for the precision cleaning industry in Singapore is -1.9%. In comparison to the industry average, MClean's CAGR for the duration 2006-2009 is 0.6%.

Precision Cleaning Industry Driver, Singapore (2010 - 2015)

Rank	Drivers	2010-2011	2012-2013	2014-2015
1	Demand for HDD increase as economy recovers	High	High	Medium
2	Disk media production center	High	High	Medium

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Demand for HDD increase as economy recovers

The precision cleaning industry is highly dependent on the HDD volume shipment and will be affected by the macro-economics of the industry. The increasing demand for external storage and widespread application of HDDs in consumer electronics especially in mobile applications is a positive indicator for the recovery of the HDD market, and indirectly reflects the potential for growth in the precision cleaning industry in Singapore.

Disk media production center

The Singapore government provides attractive tax reduction incentives to investors for setting up research centers for high-technology development in the country. The Data Storage Institute (DSI), which is a national organization for the research and development of disk media technology, was established in 1992 to support the HDD industry. Since then Singapore has grown to be the center for disk media development and production in Asia Pacific producing 50% of the world's hard disk media. The disk media industry receives support from the local government and academic sector, backed with strong industrial presence. Disk media manufacturers with operations in Singapore include Seagate, Showa Denko and Hoya. Precision cleaning is a critical process in the manufacture of the disk media prior to the magnetic recording coating of disk substrates. The cassettes and carriers used to transport these highly sensitive components also must abide by the strict clean room standard. This segment of the industry will be the next growth phase for the precision cleaning industry in Singapore after the exit of certain HDD assembly facilities from Singapore.

Precision Cleaning Industry Restraints, Singapore (2010 - 2015)

Rank	Restraints	2010-2011	2012-2013	2014-2015
1	Operations need to be in proximity to suppliers	High	High	High
2	HDD Price erosion	Medium	High	High

Operations need to be in proximity to suppliers

The HDD production is high volume and has a short production cycle therefore it imposes pressure on suppliers and supporting services to be able to meet their intensive delivery needs. One of the success factors in this industry is to be within proximity of the industry served and has the ability for speedy delivery. Any inconsistencies in the delivery can be rectified immediately. Precision cleaning operators are not able to take advantage of setting up facilities from remote locations with low cost advantages like cheaper labour and lower set up cost.

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Furthermore, transportation costs may outweigh the cost savings and multiple handling during transportation may re-introduce contaminants to the components already cleaned.

HDD Price Erosion

As HDD suffer from price erosion, the impact is transferred all across the industry value chain including the precision cleaning services. Margins may shrink to levels that may no longer be operationally effective. The short term impact is less apparent due to the current supply-demand imbalance in the HDD industry. However as manufacturers re-stock supply levels, the HDD market will once again experience the onset of price erosion. Tougher competition by the solid state drive (SSD) and hybrid drive (SSD/HDD combination) markets will also drive HDD prices down further.

Industry Growth Forecast

Forecasted CAGR for the precision cleaning industry in Singapore for 2011 to 2015 is 5.5%. The industry is forecasted to worth approximately SGD 18.6 million (MYR 44.6 million) by 2015.

Precision Cleaning Industry Market Size Forecast, Singapore (2011F-2015F)

Year	Revenues (SGD million)	Revenues (MYR million)	Growth Rate (%)
2011F	15.05	36.08	-30.06
2012F	16.31	39.11	8.41
2013F	17.86	42.82	9.46
2014F	18.48	44.32	3.50
2015F	18.61	44.63	0.70

Revenue CAGR(2011F-2015F) 5.5%

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

There will be some changes in the Singapore precision cleaning industry scenario from 2011 onwards as Seagate closes down its HDD final assembly plant in Singapore and moves it to the People's Republic of China (PRC). This will have an immediate impact on Singapore precision cleaners whose primary focus is cleaning trays used in Seagate's HDD assembly line as this segment will be completely eliminated. It is estimated at least 3 out of 5 players of this

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industry will be affected in this way. The forecasted shrinkage in the precision cleaning market starting 2011 is largely attributed to this reason.

For precision cleaners that clean component parts for the HDD assembly, including MClean, where their primary customer being the HDD component suppliers, the impact is less seen as the industry is expected to continue to exist in Singapore. The supplier industry's robustness can be attributed to a number of factors related to the current industry environment. Firstly, many in the HDD component supplier industry have reservations of immediately relocating their operations into PRC to follow Seagate. The cost savings of operating in PRC is greatly outweighed by the high risk of slow return on investment as the actual activity of relocating a manufacturing facility is very expensive whereas the HDD price has continued to erode impacting margins. Secondly, the HDD suppliers in Singapore also serve HDD hubs in other locations such as Malaysia, Thailand and US, and are part of the global supply chain. Relocating manufacturing bases may result in interruptions in the supply chain at a global level. This is highly disruptive and will require the HDD industry to re-strategize their logistics and supply chain management. Thirdly, the supporting services for the precision engineering fabrication industry are long-established in Singapore. The prospect of relocating to PRC may introduce new difficulties for the HDD component suppliers who mostly employ precision engineering fabrication techniques. PRC's manufacturing industry is not established in that area thus the supporting bases will be greatly lacking or if available, may be of substandard quality. Finally, the Singapore precision manufacturers do not primarily focus on only the HDD industry, rather they have multiple core divisions servicing other industries such as automation and precision engineering which are faring extremely well in Singapore. In Q2 2010, the precision engineering cluster has shown record performance with the first half of 2010 output growth at 37% compared to the corresponding period in 2009. The additional logistic cost incurred from transportation of goods would be within tolerable means as compared to the cost of establishing and operating a foreign facility dedicated just for PRC's HDD industry.

For the cassettes cleaning, there will be no direct effect because the disk media fabrication plants are still intact and Singapore is the region's major producer for hard disk media. In fact, the hard disk media industry in Singapore is prospering and experiencing growth as Singapore is expected to produce 50% of the world's disk media. For precision cleaners, growth prospect is positive because of the existing hard disk media industry that is showing a trend towards outsourcing more of its precision cleaning process. Furthermore, because the disk media is the critical storage component of a HDD, the growth in demand for the disk media correlates with the growth of the global HDD market. The global HDD market has shown to be

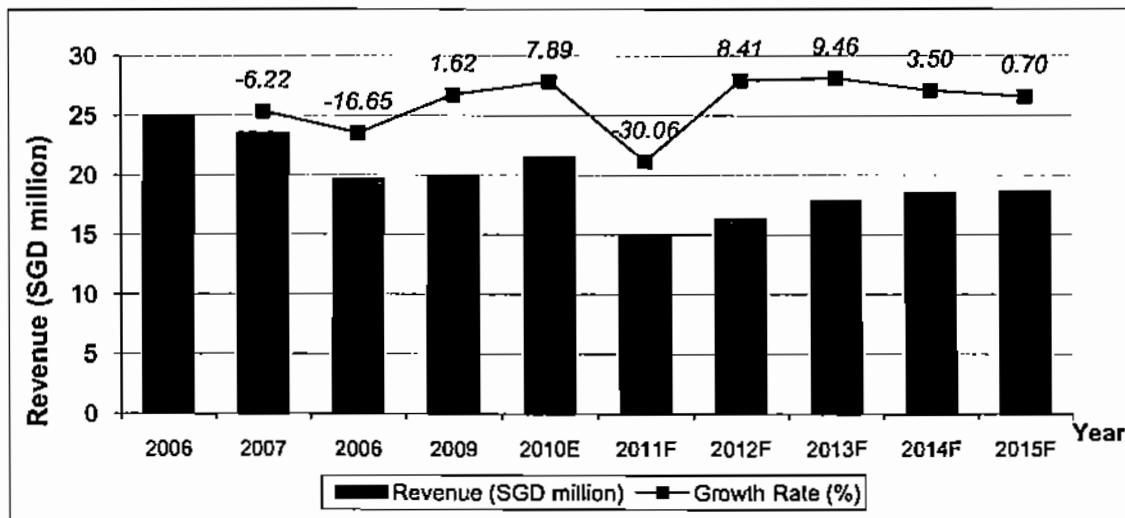
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in the path of recovery after the 2008-2009 global financial downturn and is expected to continue to experience stable growth during the 2010-2015 forecast period. MClean also clean disk media cassettes for Seagate, therefore this segment of their business is not affected by the relocation of Seagate's final assembly plant.

The following chart shows the estimated precision cleaning industry 10-year growth trend for 2006 – 2015. The graph illustrates a dip in revenue in 2008-2009 as a result of the recent global economic downturn which saw a reduction in HDD demand worldwide. The precision cleaning industry is again expected to endure from another contraction in 2011 when Seagate moves its final assembly plant out of Singapore resulting in the trays cleaning segment to be eliminated. In the long term, Singapore can expect its precision cleaning industry to experience a stabilized growth reflecting the overall HDD industry maturity and decline.

Precision Cleaning Industry Growth Trend and Forecast, Singapore (2006-2015F)



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

It should be noted, however, that the contraction in market revenue expected in 2011 for Singapore is not a real loss but merely a regional shift and will be compensated in the PRC precision cleaning market. For players like MClean with presence in PRC, this will be an advantage as they would have had experience in operating there and would be ready to service as soon as Seagate relocates. Furthermore, the HDD industry recognition of MClean as a trusted service provider, based on its operations in Singapore, will provide an added advantage over competitors or new entrants.

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There are still huge market opportunities for Singapore precision cleaners to serve other neighboring HDD clusters namely in Malaysia and Thailand. Malaysia is also home of a thriving hard disk media industry where the major producers include Seagate, Western Digital and Showa Aluminium. The hard disk media facilities are located in Johor, a neighboring state of Malaysia. In Thailand the HDD players located there include Toshiba, Seagate, Hitachi and Western Digital.

Precision Cleaning Industry: Strategic Analysis of PRC

A large portion of the precision cleaning activity in PRC is vertically integrated in the HDD components fabrication and assembly activities where the precision cleaning is conducted in-house. The general outsourced industry is still fairly small and controlled by a few non-local players. In 2006, the industry is estimated to be worth approximately RMB 64.8 million (MYR 30.1 million).

The revenue CAGR for 2006 to 2010 is -5.5% and can be explained due to three main factors. The first is the setback caused by the global economic crisis resulting in reduced HDD demand. This then resulted in the significant price erosion of the HDD due to industry oversupply. The other mitigating factor was due to an anomaly from one of the industry players which underperformed². These factors had caused a significant market contraction especially in 2008 and 2009.

Estimated Market Size of Precision Cleaning Industry History, PRC (2006-2010E)

Year	Revenues (RMB million)	Revenues (MYR million)	Growth Rate (%)
2006	64.71	30.14	-
2007	47.79	22.25	-26.15
2008	35.71	16.63	-25.27
2009	38.20	17.79	6.96
2010E	51.57	24.07	39.56

Revenue CAGR (2006-2010E) -5.5%

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

² The underperforming entity referred to is Asian Micro Holdings Limited who has announced their exit from the PRC market in the second half of 2010 in the Company Annual Report 2010, and is in the process of disposing their physical precision cleaning facilities in the PRC.

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Revenue growth rate for MClean's operation in PRC greatly surpassed the industry level with CAGR for 2007-2009 at 132%. MClean started its precision cleaning operation in PRC in 2007 and the explosive growth rate is attributed to its new entry in this sector and ability to immediately capture some of the market share in PRC.

PRC's precision cleaning industry sizing is based on the captured revenues by third party operators that have set up cleaning facilities to serve the major HDD manufacturers there. The industry is still new in PRC with HDD manufacturers still conducting in-house cleaning for their components prior to final assembly as opposed to specifying clean-room ready parts from vendors. The outsourced precision cleaning activities for the HDD industry in PRC currently only involves the cleaning of trays used in the final assembly line and disk media cassettes. In 2006, it is estimated that the precision cleaning industry cleaned approximately 20% of the local HDD manufacturing requirements. As the industry matures it is expected that a bigger portion of the precision cleaning activities will be outsourced to third party cleaners.

Market Driver for the Precision Cleaning Industry, PRC (2010 - 2015)

Rank	Drivers	2010-2011	2012-2013	2014-2015
1	Low setup and operational cost	High	High	Medium
2	Proximity to HDD value chain	High	High	Medium
3	Fast-growing domestic HDD market	High	High	Medium

Low setup and operational cost

PRC's manufacturing setup and operational cost has been documented to be at the range of 30-50% lower than operating in high GDP regions. Some aspects of the precision cleaning industry requires intensive manual handling, particularly prior to loading into the cleaning machine where parts are inspected for defects, labeling removed and sorted. Labor cost in PRC can range from as low as one-tenth to one-fifth as compared to Singapore, depending on skill-set requirement. This amount of cost saving is an attractive driver for manufactures to relocate their manufacturing facilities to PRC.

Proximity to HDD value chain

PRC has already established clusters of HDD industry linkages such as precision parts fabrication and low-end sub-assemblies where they are mostly distributed in the Guangdong, Jiangsu and Shandong province. It is expected that as the industry matures, HDD manufacturers will outsource more of their precision cleaning requirements including for

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cleaning precision parts destined for their final assembly line. Being near to the industry clusters will provide the opportunity to better serve the HDD industry as speed of delivery is essential.

Fast-growing domestic HDD market

PRC is among the fastest growing market in consumer electronics and personal computers. In 2009, the domestic consumption is worth USD 130 billion (MYR 414 billion) or 40% of global consumption. High domestic demand guarantees a stable market and more accurate future projections of production output. As the global HDD market is highly affected by changes in the macroeconomic environment, having a stable local demand provides a sustainable future for PRC's HDD industry.

Market Restraints for the Precision Cleaning Industry, PRC (2010 - 2015)

Rank	Restraints	2010-2011	2012-2013	2014-2015
1	Captured market by suppliers	High	High	Medium
2	Price Erosion	Low	Medium	High

Captured market by suppliers

To overcome low margins, precision manufacturers have to grow by mass and diversify into value-adding services. Most precision parts manufacturers also have the capability to conduct precision cleaning within the manufacturing premises or by subsidiaries which specializes in cleaning. The HDD is a high turnaround, high volume industry and has reached a high economy of scale. This high volume production provides enough justification to local manufacturers of precision part to also vertically integrate supporting services such as precision cleaning as it is a lucrative business. When manufacturers diversify into the precision cleaning business, this means they will be conducting all the cleaning requirements for parts they produce. It is going to be harder for third party cleaners to enter this market as it has already been captured by the manufacturers. This trend for vertical integration results in a tightly sealed market with little opportunity for outsiders to enter. Furthermore, this business diversification enables operators to bear overhead and operational expenses by sharing premises and resources such as labor and administration thus able to offer competitive pricing for their additional services.

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Price Erosion

Price erosion is a common restraint to all industries serving the HDD industry. In PRC, the impact will only be felt starting the medium to long term as operation and labor cost for PRC is expected to rise as the country's economy and wealth increases. PRC's annual GDP growth has been at an average of 10% for the last decade. Furthermore PRC will face strong competition from other emerging economies such as from Vietnam and Cambodia.

Precision Cleaning Industry Growth Forecast

The short and medium term outlook for the precision cleaning industry in PRC is expected to show high growth rates as the HDD industry experiences high-technology migration. Starting 2011, the market is expected to double in revenue based on the recovering HDD market as well as the relocation of Seagate's HDD assembly facility from Singapore to PRC. Furthermore, it is expected that precision cleaners to have generated enough confidence for the HDD industry to use outsourced precision cleaning services. By the mid-term of the projection, the industry is expected to stabilize and resume normal growth, reflecting the global HDD market growth. In the long-term projection, there is the probable threat of the HDD industry shifting towards a new low-cost region or country impacting PRC's HDD shipment levels. The forecasted CAGR for 2011 to 2015 for PRC precision cleaning market is 11.4%. The industry is expected to be worth approximately RMB 199 million (MYR 93 million) in 2015.

Estimated Precision Cleaning Market Size Forecast, PRC (2011F-2015F)

Year	Revenues (RMB million)	Revenues (MYR million)	Growth Rate (%)
2011F	116.24	54.13	118.05
2012F	142.71	66.46	22.78
2013F	173.70	80.89	21.71
2014F	188.50	87.78	8.52
2015F	199.26	92.80	5.71

Revenue CAGR (2011F-2015F) 11.4%

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

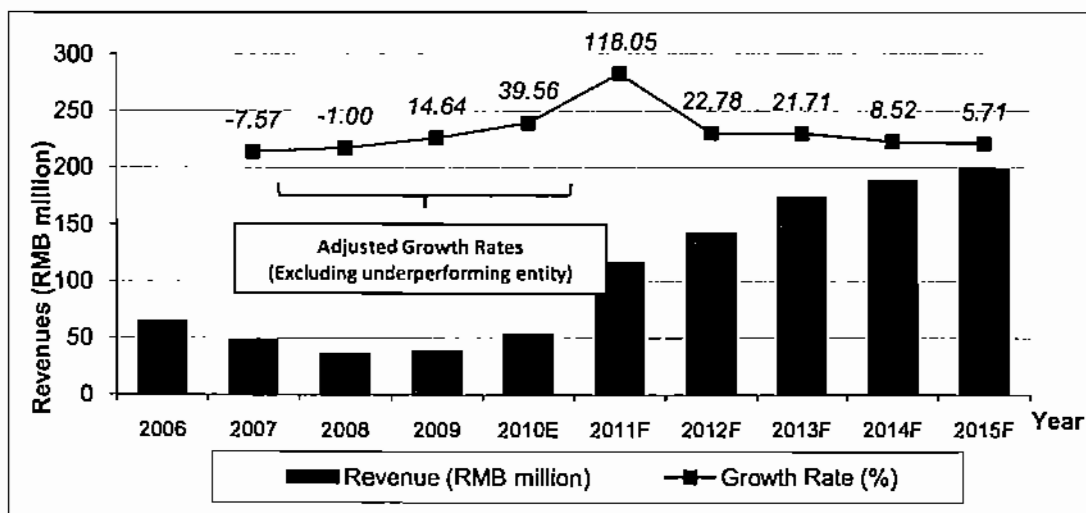
The following graph shows the estimated historical growth trend and forecast of the precision cleaning industry in PRC for the duration of 2006-2015. The historical growth rates are based

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on the adjusted revenue growth in the industry and excluding the underperforming entity. The chart clearly indicates an expected spike in the 2011 growth forecast with a jump in revenues in that year as outsourcing of precision cleaning becomes more accepted by PRC's HDD industry, and from the relocation of Seagate's assembly facility from Singapore to PRC.

Estimated Precision Cleaning Industry Growth Trend and Forecast, PRC (2006-2015F)



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Precision Cleaning Industry Competitive Structure

Industry Lifecycle

The precision cleaning industry in Singapore and PRC are at distinctively different phases of the industry lifecycle. This is because PRC is a relatively new market for HDD as compared to Singapore.

Singapore

For precision cleaning servicing the HDD final assembly, the industry is currently at the matured stage of the industry lifecycle and going into decline. For the precision cleaning servicing the HDD media production, the industry is currently at a growth stage since HDD media production in Singapore still accounts for 50% of global output.

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Outsourcing of cleaning had started since the late 1990's and recycling cleaning around mid-2000. Once the trend for outsourcing became generally accepted, pioneers quickly gained recognition and reputation among HDD and disk media manufacturers. The mid-2000s saw the hard disk media industry developing and expanding in Singapore with Seagate, Hoya and Showa Denko opening new media plants. This period shows a steep incline in growth and market expansion. The market then reached saturation fairly quickly. The trend in recent years is showing the industry stabilizing and entering decline partly due to economic slowdown and also because of key HDD manufacturers and suppliers relocating to other lower-cost regions such as Thailand and PRC. The ongoing relocation of Seagate's HDD assembly plant in Singapore to PRC since December 2010, will cause a contraction in the precision cleaning market size to almost approximately 30% however the precision cleaning market will still be sustained by the global hard disk media requirements as Singapore is a major global producer of hard disk media accounting for 50% of global output.

PRC

The precision cleaning industry in PRC can be summarized as in the birth stage of the industry lifecycle and entering the rapid growth stage.

Currently all major HDD manufacturers conduct in-house cleaning of components prior to the final assembly. The only precision cleaning that is outsourced is for cleaning trays for the clean room assembly and disk media carriers. The industry in PRC is expected to experience a short introduction period as the outsource concept had already been established and proven reliable in other regions such as in Singapore, Thailand and Malaysia. Non-domestic precision cleaners from Singapore, Malaysia and US that have established reputations in their own markets or in the other HDD regions are pioneering the Chinese market in the outsourcing of precision cleaning industry. Currently non-domestic players already in PRC include MClean Technologies and Sonic Clean from Singapore, and Frontken Corporation from Malaysia. The trend is expected to continue as PRC is rapidly growing as the new major HDD hub and is expected to see many more relocations of HDD manufacturing facilities there offering high potential market expansion in the precision cleaning industry.

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Challenges and Risks

The risk factors and challenges in operating a precision cleaning business differ between regions. This is largely due to the nature of the industry which is very cost sensitive and highly reliant on the local HDD industry activities.

Singapore

In a matured industry, the challenges and risks faced by precision cleaners are mostly related to increasing operating costs and the industry going into decline (exit market). In Singapore, the challenges include difficulty in obtaining local low-level labor and the risk of key HDD industry players consolidating or relocating away from Singapore.

Labor retention

Demand in the HDD industry is very cyclical and fluctuate rapidly between seasons. This imposes a challenge in managing production shifts and recruiting labor to fill the shift within the short span of time in order to be able to deliver. The Singapore government has a tight foreign labor policy making it difficult for companies to hire a large number of foreign workers. For Singapore precision cleaning operators, labor cost is the biggest operational expense and is estimated to be one fifth of the cost of sales.

Industry consolidation and relocation

This risk is equal to all service providers to the HDD industry. Changes in players can be vendor consolidation or relocation of manufacturing facilities to other regions. When companies merge there will be a cutting down of duplicated service providers to save cost and improve efficiency. Relocation of facilities will result in the restructuring of supply chains to take advantage of the lower cost advantages in the new region. Relocation by major suppliers is active in Singapore. Over the last decade, Singapore have seen manufacturers such as Western Digital, National Semiconductor and Maxtor exiting the Singapore market and relocating to lower cost regions such as Malaysia, Thailand and PRC.

PRC

Precision cleaners operating in PRC faces a different set of challenges and risks which are customer's confidence of the industry's operation best practices, reliability of utility supply and large pool of competitors.

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Customer confidence

The challenge in PRC initially is to convince HDD manufacturers of the reliability of third party cleaners and their ability to comply with standards. Even though components are specified to be clean-room ready, the standard delivered may not be consistent across the industry due to low level of quality control by third parties. Testing for cleanliness is time-consuming thus HDD manufacturers prefer to conduct cleaning in-house to eliminate this risk factor. HDD manufacturers are also more likely to engage established cleaners that are already serving their cleaning requirements in other markets. Customer confidence will remain high as a major challenge for new entrants because HDD manufacturers are not willing to risk loss of production time due to a vendor's inability to deliver.

Reliability of utility supply

Among the risks include the reliability of utility supply. The precision cleaning operations require 24 hours electricity and consistent flow of water to run its clean room facility and water treatment facility. Operators in this industry will have to invest in backup generator to ensure production line will not be disrupted by downtime. Furthermore the water supply has very low quality and high level of siltation and contamination, requiring additional investment towards the water purification system. As a supporting industry for a high volume production industry, any down-time may result in consequential losses.

Parallel entry to market by domestic players

PRC has over 120,000 machinery enterprises and research institutions which employ at least 20 million labor forces. The region holds a large pool of precision manufacturers with in-house capabilities to conduct precision cleaning for clean room specifications. For these manufacturers it is easy to diversify into the precision cleaning business as they already have the machineries and technical know-how. These entities are less affected by the barriers to entry as they would have already achieved returns on capital investment.

Critical Success Factors

Operating in a highly dynamic and challenging environment, the few critical success factors determine the ability of one player to fare within the industry better than the other. In the precision cleaning industry which is serving the HDD industry, the two main factors are having good client relationship and ability to respond to changes within the served industry.

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Good Client Relationship

Relations play an important role in ensuring there is good rapport and communication between the vendor and client to ensure customers are satisfied with the services provided. This indirectly builds good reputation of the service provided and acts as a referral to the industry. In PRC, the industry can expect a larger number of competitors once the trend for outsourcing has become an established practice. As the market becomes very competitive, having a referral in industry or 'brand' gives the extra elevation needed to differentiate from other new entrants. Service providers with good portfolio based on services provided in other regions tend to fare better due to the existing client relationship as well as built reputation. Clients prefer to engage with familiar names as a guarantee for quality and familiarity with processes. For newly relocated HDD manufacturers, this helps to reduce their transition time as they do not have to develop new processes or 'reinvent the wheel'. In Singapore, the trust built over the years from working closely with the key HDD producers have helped the precision cleaning industry to develop better processes to support the HDD production.

Fast to respond to changes

In supporting an industry which has a fluctuating market, agility is necessary in order to be able to keep up with the market changes in terms of technology and market conditions. The current economic instability has resulted in the difficulty of predicting accurately actual market demands. Manufacturers are keeping inventories lean and tend to employ production strategy that follows the market demand closely. Service providers must be able to fill in sudden increase in orders. Furthermore the rate at which technology for the production of HDD has moved will require supporting industries to be able to keep one step ahead with the changes by offering better solutions and services in line with the technological needs. Supporting industries with own technologies or in close affiliation with technology providers are in an advantageous position as they will have the insights of upcoming technologies. Historical trends have also shown how the HDD industry has the tendency to relocate very quickly from one region to another where significant cost savings are identified for example from US and Japan to Singapore, then Malaysia, Thailand and the Philippines, and currently in PRC and Latin America. Precision cleaning providers must be able to move with the industry as it is a critical process in the HDD production. Already, countries in Indo-China such as Vietnam, Cambodia and Myanmar have emerged or been identified as the next low cost region for manufacturing in the electronics industry.

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Barriers to Entry

Precision cleaning for the HDD industry is a very specialized segment of industry with requirements for in-depth knowledge in the HDD requirement.

High Set-up and running costs

The minimum overhead cost of precision cleaners, estimated to be at least USD 4 million (MYR 12 million) and the long gestation period are the biggest obstacles for new entrants to this industry. A typical aqueous precision cleaning operations set up consist of the plant facility and precision cleaning equipments, de-ionized water treatment facility, clean-room receiving facility, and the precision test laboratory. Approximately six months is required to build the plant facility, install equipment and complete operational planning. Before the facility can operate, the cleaning equipment and production line needs to be qualified by HDD manufacturers through a number of testing and verification processes. The qualification process is laborious and entrants have to bear the capital investment with no income sometimes for up to one year before a production line is qualified and actual operations may start. The 24-hours de-ionized water treatment facility and clean-room environment incurs medium to high running cost and will impact initial revenues until entrants can reach economies of scale in their operations. Depending on region, utility cost (electricity and water) may contribute up to one-third of the operational cost.

Prequalification

As stated above, the qualification process is laborious. Vendors who hope to provide precision cleaning services have to provide exact and detailed descriptions of all their precision cleaning processes. Even vendors to the precision cleaners that provide supplies, for example the polybags, for wrapping and protecting the cleaned parts, need to be approved by the HDD manufacturer. In addition to providing detailed descriptions of the cleaning process, the precision cleaner must also demonstrate that it can provide its services without fail to ensure that the manufacturing line at the HDD manufacturer will not be disrupted by delays in the precision cleaning process. As such, qualification by a demonstration of these capabilities takes a considerable amount of time, planning, and competency demonstrations and acts as a barrier to entry in this industry.

'Brand' or reputation

Despite having qualified production lines, precision cleaning for the HDD industry is still very specialized. New entrants will find it difficult to break through into the industry if they do not have an established reputation in the cleaning area or industry references. This is because

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precision cleaning is a critical process in the HDD production. As the HDD industry is very high volume and dynamic, manufacturers cannot afford to have their assembly line disrupted due to a vendor's inability to deliver. HDD manufacturers will only engage trusted vendors with known track record for quality and using their approved equipment with known cleaning tolerances. New entrants will need to establish themselves which may take time.

Key Industry Players

The following lists the key players in this industry for Singapore and PRC. In general, most of these companies also serve other industries with precision cleaning requirements such as the semiconductor, solar panel, automotive and steel industries. Some of these companies are also involved in other non-precision cleaning businesses.

Singapore:

- Asian Micro Holdings Limited
- Frontken Corporation Berhad
- MClean Technologies Berhad
- Nanoclean Singapore Pte. Ltd.
- Sonic Clean (Singapore) Pte. Ltd.

PRC:

- Asian Micro Holdings Limited*
- Frontken Corporation Berhad
- MClean Technologies Berhad
- Sonic Clean (Singapore) Pte. Ltd.

*Asian Micro Holdings Limited exited the precision cleaning industry in PRC starting second half of 2010.

(Note: The order of companies listed is not indicative of market leadership or share.)

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The profile of industry players and its precision cleaning operations in Singapore and/or PRC for the HDD industry are summarised in the following table:

Profile of Key Precision Cleaners for HDD Industry and their Precision Cleaning Operations in Singapore and/or PRC

Company / Holding Company	Profile	Core business	Precision cleaning entity and location
<p>MCLEAN TECHNOLOGIES BERHAD</p>	<p>Incorporated in 2010, the group's history in precision cleaning business for the HDD industry started in 2001 in Singapore by the establishment of Magnetronics Pte. Ltd. In 2003, MClean expanded its business by the building of the new factory in Woodland Industrial Park, Singapore. Since then, MClean has serviced the Singapore, Thailand & Malaysia market in precision cleaning for the HDD industry. In 2007, Mclean opened a precision cleaning factory in PRC to service the China market.</p>	<ul style="list-style-type: none"> - Precision cleaning of components, carriers & trays for HDD - Precision cleaning of HDD media cassettes - Precision cleaning of semiconductor wafer carriers - Clean room services - Plastic precision parts fabrication (PRC) 	<ul style="list-style-type: none"> -MClean Technologies Pte. Ltd., Woodlands, Singapore -Techsin Electronics (Wuxi) Pte. Ltd., Wuxi, PRC
<p>Asian Micro Holdings Limited</p>	<p>Incorporated in 1999 in Singapore, the history of the group started in 1996 initially to provide contract engineering assemblies and other support services to the high technology industries like HDD, recording heads, semiconductor and other computer related industries. The group entered the precision cleaning business for the HDD industry in Singapore since 2003. Since 2007 shifted its core business to natural gas supply related products & services. The group also manufacture HDD precision parts and polybags used in clean-room packaging. Since the second half of 2010, the group has ceased operations of its PRC precision cleaning plants and in the process of disposing its physical operations there.</p> <p>Asian Micro Holdings was listed on SGX-SESDAQ in September 1999.</p>	<ul style="list-style-type: none"> - Converting fleet vehicles to NGV. - Precision cleaning of recycled trays and foam packaging boxes used in HDD industry -Manufacturing of HDD precision parts -Manufacturing of polybags used in clean room packaging 	<ul style="list-style-type: none"> -Asian Micro (Singapore) Pte. Ltd., Serangoon, Singapore - Asian Micro Technology (Suzhou) Co., Ltd, Suzhou, PRC - Wuxi Asian Brite Technology Co., Ltd, Wuxi, PRC

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<p>Nanoclean Singapore Pte. Ltd.</p>	<p>Nanoclean Singapore Pte. Ltd. Was established in 2000 in Singapore to provide high class precision cleaning services to customers in the cleanroom related industries, both locally as well as regionally. Their current core business is to provide maintenance servicing for precision cleaning equipment and HDD media sputtering equipment (PVD) and in precision cleaning of media cassettes and carriers.</p>	<p>- Service maintenance of precision equipment and sputtering equipment (PVD) - Precision cleaning of media cassettes, carriers - Fabrication of parts for precision machines</p>	<p>-Nanoclean Singapore Pte. Ltd., Senoko Way, Singapore</p>
<p>Frontken Corporation Berhad</p>	<p>Incorporated in 2006 in Malaysia, the group's history began in 1996 when it was first established as a private limited company in Singapore. The group's core competency is in surface metamorphosis engineering using thermal spray coating. Their main service sectors are semiconductor, oil and gas and power generation. The group also provide advanced precision cleaning services to complement the surface metamorphosis engineering services and their main service industries are semiconductors, HDD and solar panels. Frontken has physical operations in Malaysia, Singapore, Thailand, Philippines and the most recent started its operations in PRC in 2008.</p> <p>Frontken Corporation Berhad was listed on MESDAQ (now known as the ACE market) on July 2006 and Main Market on January 2010.</p>	<p>- Surface metamorphosis engineering using thermal spray coating for semiconductors, power generation and oil & gas sector. - Precision cleaning for semiconductor, HDD & solar panel industry - Precision cleaning of disk media substrates for HDD industry</p>	<p>-Frontken (Singapore) Pte. Ltd, Gul Road, Singapore - Frontken-MIC (Wuxi) Co., Ltd., Shenzhen, PRC</p>

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<p>Sonic Clean (Singapore) Pte. Ltd.</p>	<p>Sonic Clean was established in 2001 and is one of the first independent cleaning facility in Singapore. Sonic Clean also service the semiconductor and medical industry and have operations in PRC and Thailand</p>	<p>Precision Cleaning of semiconductor parts and trays for HDD industry</p>	<p>-Sonic Clean (Singapore) Pte. Ltd, Woodlands, Singapore - Sonic Clean (Suzhou) Co., Ltd., Suzhou, PRC -Sonic Clean (Wuxi) Co., Ltd., Wuxi, PRC</p>
<p>Quantum Global Technology LLC.* (Quantum Clean™)</p>	<p>A US company based in Dublin, Pennsylvania, founded in 1999 and doing business under the trademark name QuantumClean. Provides tool part servicing such as restoration and reconditioning, and outsourced precision cleaning. Industry served includes aerospace, medical, military and HDD. The Advance Technology Cleaning Centre (ATCC) Singapore is the first cleaning centre in Asia region and started its operations in January 2010. QuantumClean has a total of 7 ATCCs worldwide of exact copies of production line all qualified to clean for the HDD industry.</p>	<p>- Precision cleaning for space industry, semiconductor, medical, solar and military applications. - Maintenance cleaning of tooling parts * ATCC in US are qualified to clean for the HDD industry. Singapore ATCC has not yet applied to be qualified.</p>	<p>Tuas Tech Park, Singapore</p>

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

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Market Share and Industry Positioning

The table shows the latest publicly available financial statements of the industry players for the Singapore and PRC market as sourced from the company's income statements or financial filings from ACRA Singapore. Currency conversion factors are based on the annual average. Note that the figures shown are consolidated revenues including income from subsidiaries and all other business activities that are also conducted by the entities and not limited to precision cleaning for the HDD industry. Most of these companies have global operations and are active in a diverse range of activities such as precision cleaning for non-HDD industries, fabrication, materials recycling, clean-room services and green technologies.

Company	FYE	Latest OR	Latest OR (MYR)	Latest GP	Latest GP (MYR)	Latest PBT	Latest PBT Margin (%)	Latest PAT	Latest PAT Margin (%)	2-Year Average PBT (%)	2-Year Average PAT (%)
1 *Frontken Corporation Berhad	2009	n/a	137,231,000	n/a	23,835,000	MYR 8,108,000	5.91	MYR 7,552,000	5.50	10.28	9.88
2 *Asian Micro Holdings Limited	2009	SGD 12,112,721	29,396,363	SGD 1,048,828	2,545,401	SGD (7,678,534)	(63.39)	SGD (7,670,234)	(63.32)	(25.45)	(39.60)
3 *MClean Technologies	2009	n/a	25,305,373	n/a	8,990,091	MYR 2,284,800	9.03	MYR 1,907,798	7.54	(0.33)	(0.53)
4 Sonic Clean Pte. Ltd.	2008	SGD 8,773,543	20,702,128	SGD 4,230,240	10,016,362	SGD 14,667	0.17	SGD (89,964)	(1.03)	3.90	3.34
5 Nanoclean Pte. Ltd.	2007	SGD 1,664,817	3,799,112	SGD 281,731	642,910	SGD (88,505)	(5.32)	SGD (88,505)	(5.32)	(8.19)	(8.19)

* Consolidated revenue including all subsidiaries

Legends:

FYE = Financial Year Ending 31 Dec

OR = Operating Revenues

GP = Gross Profit

Currency Conversion factor (Annual Average):

Year 2009: 1SGD = MYR 2.4269

Year 2008: 1SGD = MYR 2.3678

Year 2007: 1SGD = MYR 2.2820

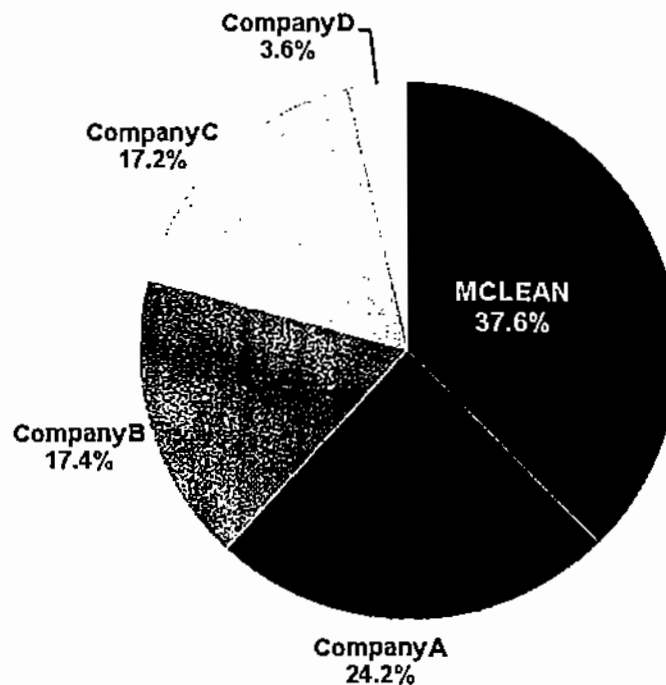
(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

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The market share for the precision cleaning industry in 2009 for Singapore and PRC are presented in the charts below. The market share is based on revenue of the precision cleaning entity/s of the companies, as obtained from publicly available data sourced from the companies' financial reports, annual reports or ACRA filing. For companies with multiple-sourced revenues, the precision cleaning portion is estimated based on information obtained from primary interviews with the companies' representative.

As can be seen, in Singapore, the industry is led by MClean with a significant portion of market share (37.6%), followed by Company A (24.2%), Company B (17.4%), Company C (17.2%) and Company D (3.6%).

Estimated Precision Cleaning Market Share, Singapore (2009)



Note: Companies referred to are Asian Micro Holdings, Frontken Corporation Berhad, Nanoclean Singapore Pte. Ltd. and Sonic Clean (Singapore) Pte. Ltd., and are listed in no particular order.

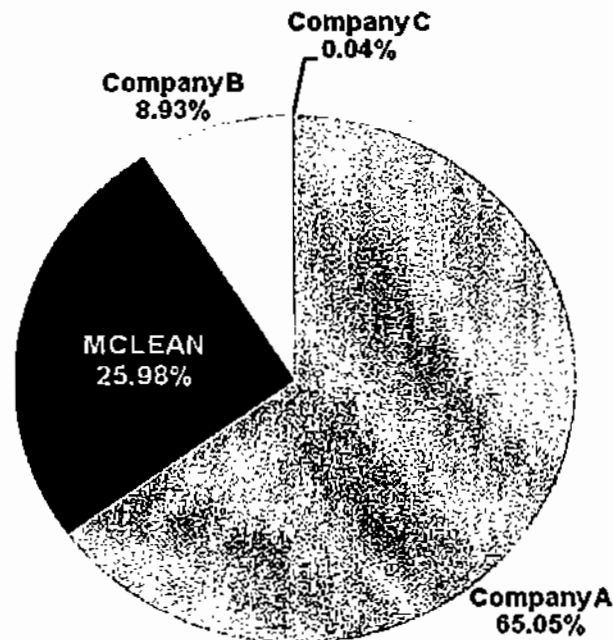
(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

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The Chart for PRC's market breakdown shows the market share of known players who are also Singapore market players. The leading player is Company A (65.05%) followed by MCLearn (25.58%), Company B (8.93%) and Company C (0.04%).

Estimated Precision Cleaning Market Share, PRC (2009)



Note: Companies referred to are Asian Micro Holdings, Frontken Corporation Berhad, and Sonic Clean Pte. Ltd., and are listed in no particular order.

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

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Global HDD Market Analysis

The drivers and restraints for the global HDD market is discussed and analyzed.

Market Drivers

The HDD industry is a high-volume global industry which is worth approximately USD 30 billion (RM 91.8 billion) in 2009 with global shipments at almost 600 million units. The following table lists the global HDD market drivers by rank including the short term, medium term and long term impact to the industry.

Market Drivers for Global HDD Market (2010–2015)

Rank	Drivers	2010-2011	2012-2013	2014-2015
1	Increased demand for PCs and notebooks	High	High	Medium
2	Increased demand for digital electronics with data storage capability	High	High	Medium
3	Increased demand of external storage for consumers and small business	High	High	Medium
4	Increased demand from enterprises for data storage	High	Medium	Medium

Increased demand for PCs and notebooks

There has been a significant increase in the demand for personal computers in developing countries and new emerging economies due to availability of better internet and communication infrastructure, rising income levels, uptake of new technology, and increased IT spending by businesses and government institutions. Although global shipments for computers have witnessed a slump in the last half of 2008 and in the first half of 2009, the last quarter of 2009 saw a significant increase in PC demand driven by dramatic increase in purchases specifically in the Asian regions such as PRC and India, and in the Latin American countries. These regions will continue to fuel the growth of the HDD market based on the high growth rate of internet traffic indicating increasing usage of computers. Demand from mature markets such as US and E.U. for both consumers and businesses are also set to recover and return to growth in 2010.

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Increased demand for digital electronics with data storage capability

There is an increase in the variety of digital electronics devices with storage capability and requirements. Devices such as digital video cameras, audio recorders, gaming consoles, high definition television (HDTV) set top boxes and global positioning systems (GPS) are becoming the latest lifestyle gadgets and more commoditized. The global consumer electronic market is worth about USD 300 billion (MYR 918.2 billion) in 2009.

Increased demand of external storage for consumers and small business

The need for large backup storage is related to the availability of new digital devices that allows users to generate their own contents such as audio recorders, cameras and video camcorders. Improved internet infrastructure, affordability of personal computers and widespread usage of peer-to-peer (P2P) file-sharing network, emails, web-based social networks and communication tools such as Facebook, MySpace, Flickr and Linked-In further encouraged the activity of exchanging digital content such as photos and videos among personal users and in businesses.

Increased demand from enterprises for data storage

As the economy recovers from the global financial crisis 2008-2009, demand for enterprise storage is expected to rebound. During the economic downturn, businesses across the world operated on a slimmed budget and slashed non-critical expenditure. Many businesses put on hold their IT expansion. Starting 2010, businesses all around have been re-initiating their IT integration plans and replacing outdated computers after two years of budget starvation. An increase in cloud-computing in the enterprise sector will see much more of server management to be outsourced to data centers hence the expansion of digital storage capacity of data centers worldwide.

Market Restraints

The following table lists the global HDD market restraints by rank including the short term, medium term and long term impact to the industry.

Market Restraints for Global HDD Market (2010-2015)

Rank	Restraints	2010-2011	2012-2013	2014-2015
1	Increased bargaining power of the CE industry contributing to price erosion	Medium	High	High
2	Rising material cost and depleting resources	Medium	High	High
3	Emerging competition from new products like SSD	Medium	Medium	High

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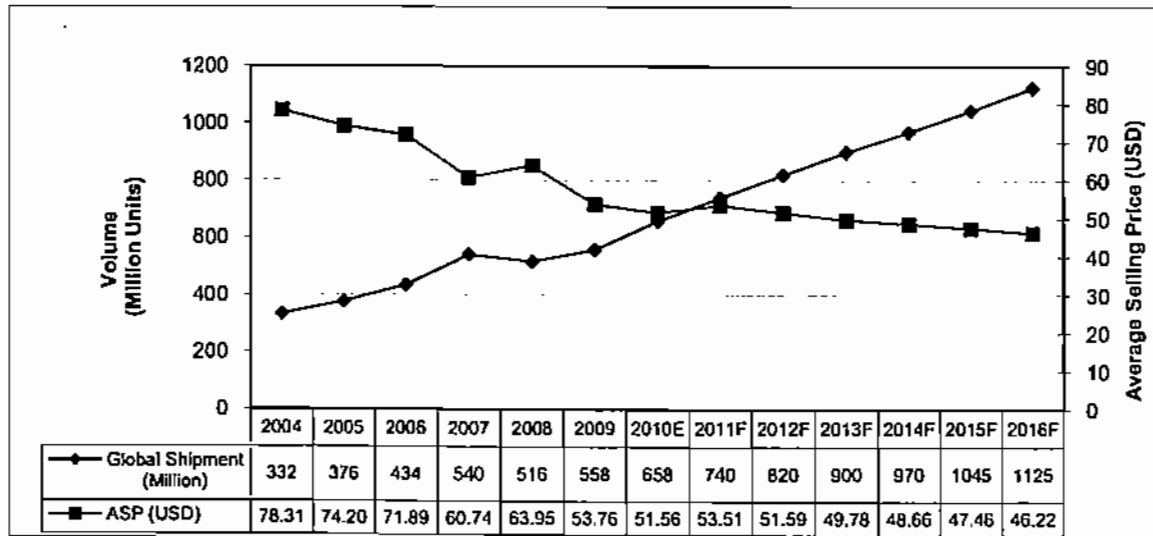
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Increased bargaining power of the CE industry contributing to price erosion

The CE industry is the major consumer of HDDs, and is able to exert pressure to the HDD industry for lower prices. During the recent global financial crisis (2007-2008) HDD manufacturers did not build new capacity because of the fallen consumer demand. As the market recovers by Q4 of 2009, the industry faced shortage of production capacity. The resulting supply-demand imbalance had given HDD manufacturers a slight leverage on prices for the 2010 market period. However, this was only temporary and prices are expected to fall again once supplies are able to exceed demand. Despite the continuous onset of HDD price erosion, the actual impact will be transferred and shared across the HDD industry value chain, including the precision cleaning industry.

It should be noted that HDD prices for consumers and enterprises vary in average selling price (ASP). The historical trends for the ASP of HDDs show that the ASP of HDDs has been falling gradually since 2004. Since 2004, the ASP for HDD has reduced by 34% from USD 78.3 per unit (MYR 239.6) to USD 51.6 (MYR 157.9) in 2010.

Global HDD Shipment vs. Average Selling Price (2004-2016F)



Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Rising material cost and depleting resources

The supply of raw materials to make the disk substrates in the volume and speed of delivery as required by the industry had increasingly become challenging as glass and aluminum materials are becoming scarcer and more costly.

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The price of rare earth metals for making the magnetic materials for motors and hard disk magnetic layer are also increasing due to export controls by PRC which produces 95% of the global supply. Mining activities in other regions where the materials can be sourced may also start as prices are expected to increase due to the scarcity of the material. This will also drive up prices for end products such as HDD. The impact is expected to be more severe in the mid to long term as HDD demand increases.

Emerging competition from new products like SSD

Currently SSD has not achieved cost advantages over HDD pricing and is still expensive at approximately 5 times the price per Gigabyte of HDD memory. The recent economic downturn has resulted in investment in this sector to be reduced. However it is expected that SSD manufacturers will continue to invest highly in this sector and the SSD technology to be the next big market for data storage development for mobile storage technology. Until the price points have stabilized and become competitive with conventional HDDs, usage and mass integration of SSDs into personal storage devices will still be limited to high-end products. SSD shipments in 2009 have exceeded 11 million units, with year-on-year growth at 14%. This is still less than 2% of HDD global shipment meaning the SSD has still a long way to go to be able to compete with the HDD market. The full-blown impact is expected to be more apparent at 7 to 10 years time as the SSD technology improves and volume production is achieved, resulting in competitive pricing. The development of this market will have repercussive effect on supporting industries to the HDD as the SSD manufacturing employs a different technology which is more similar to semiconductors. Hence, service industries such as precision cleaning need to adapt to the different cleaning methods and parameters in order to stay relevant and be able to serve the SSD industry.

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Growth Trends (2004-2010)

For the duration of 2004-2010, the global HDD industry revenue recorded a compound annual growth rate (CAGR) of 4.5%. However, the annual trend shows the industry experiencing a contraction during the 2007-2009 global financial crisis. The overall reduced market demand and high inventory levels starting end of 2007 resulted in market oversupply and the impact to revenue was apparent during 2008 and early 2009 as average selling price (ASP) was reduced during massive stock-clearing.

The final quarter of 2009 showed signs of the HDD market recovering as global market for HDD rebounded. The surge was driven by high demand from the consumer electronics industry especially from segments such as low-cost PCs and notebooks. By the end of 2009, the market took an upturn with a total shipment rebounded to 558 million units. The global HDD shipment recorded a growth rate of approximately 8.1% for 2009.

Estimated Global HDD Market Growth History (2006 to 2010E)

Year	Revenue (USD Billion)	Revenue (MYR Billion)	Revenue Growth Rate (%)	Shipment (Million units)	Shipment Growth Rate (%)
2004	26.0	79.57	-	332	-
2005	27.9	85.39	7.3	376	13.3
2006	31.2	95.49	11.8	434	15.4
2007	32.8	100.38	5.1	540	24.4
2008	33.0	101.00	0.6	516	-4.4
2009	30.9	91.82	-9.1	558	8.1
2010E	33.9	103.87	13.0	664	18.9

Revenue CAGR (2004-2010E) 4.5 %
Shipment CAGR (2004-2010E) 12.2 %

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

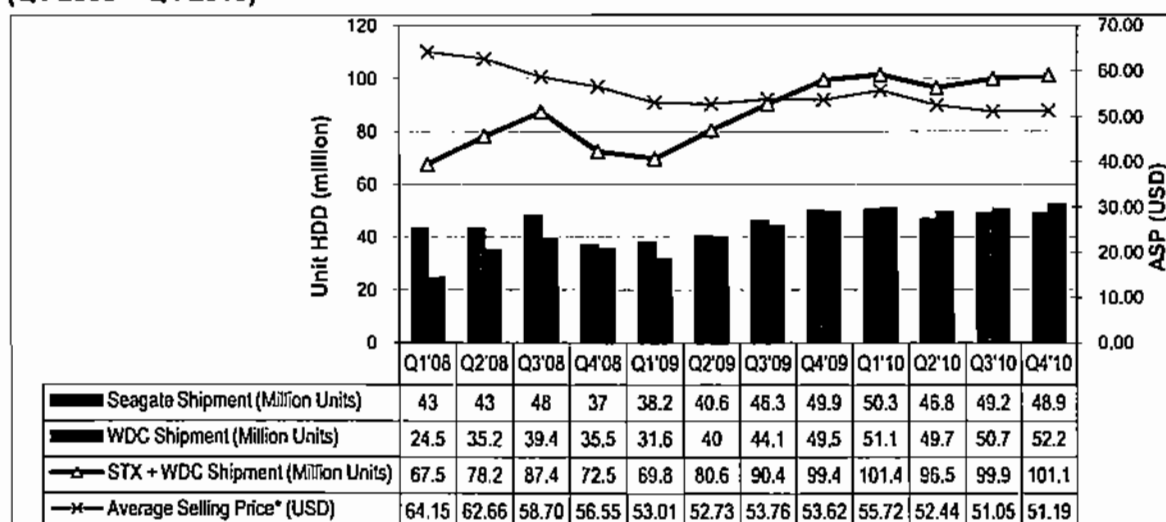
In 2010, the HDD market had fully recovered with total HDD shipment estimated at 664 million units, a marked growth of approximately 18.9% as compared to the previous year. The 2004-2010 unit shipment CAGR was approximately 12.2%.

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The quarterly performance of the HDD industry from Q1 2008 to Q4 2010 was analysed based on market data for the two largest producers of HDD. Seagate and Western Digital market share totals more than 50% of overall HDD market.

Quarterly Shipment and Average Selling Price (ASP), Seagate & Western Digital (Q1 2008 – Q4 2010)



STX = Seagate

* ASP for STX + WDC

WDC = Western Digital

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

The industry had taken a dip during the recent financial crisis which had impacted the market starting Q4 2008. By 2009, the market grew by at approximately 10% quarterly growth rate before recording a stabilised growth rate during the 2010 period. Combined ASP had shown a gradual decline throughout the 3-year period ending Q4 2010, with a low point recorded in Q3 2010 at USD 51 per unit (MYR 156).

Growth Forecast (2011-2016)

For the short term forecast, HDD shipments are expected to see an increase in growth with a rebound in demand from the consumer and enterprise markets based on the recovery of the global economy. Revenue growth is expected to be in the double digits due to the higher ASP as manufacturing reaches maximum capacity and manufacturers are unable to fill in the high demand during most of 2010. This is mainly because during the economic downturn, there was no capacity expansion by HDD manufacturers as they anticipated economic recovery.

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This trend is likely to remain throughout the period 2010 until additional capacity is built. The mid-term forecast expects the market to stabilise and HDD industry facing competition from the flash memory market due to widespread adoption of the flash based storage in the mobile consumer electronics application. The high capacity storage HDD industry will still be highly significant within the forecast period and estimated to worth more than USD 50 billion (MYR 153 billion) by 2016. The table shows the forecast revenues and growth rates for the global HDD market for the period of 2011 to 2016 with estimated CAGR of 5.6%.

Estimated Global HDD Market Growth Forecast (2011F to 2016F)

Year	Revenue (USD Billion)	Revenue (MYR Billion)	Revenue Growth Rate (%)	Unit Shipment (Million)	Shipment Growth Rate (%)
2011F	39.6	121.20	16.68	740	15.6
2012F	42.3	129.46	6.82	820	10.8
2013F	44.8	137.11	5.91	900	9.8
2014F	47.2	144.46	5.36	970	7.8
2015F	49.6	151.80	5.08	1045	7.7
2016F	52.0	159.15	4.84	1125	7.7

Revenue CAGR (2011F-2016F) 5.6%

Shipment CAGR (2011F-2016F) 8.7%

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

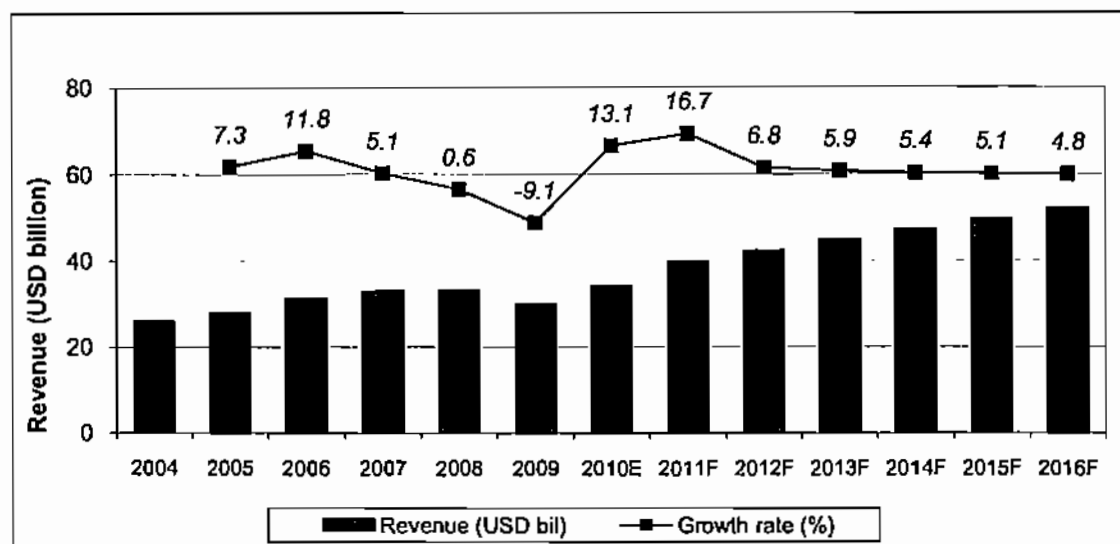
The forecasted revenue CAGR during the 2004-2016F period is at 5.9%. The growth trend shows a clear dip in growth rates during the 2008-2009 global financial crisis and a rebound in 2010.

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Estimated Global HDD Market Growth Trend (2004-2016F)



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

New Development in HDD Technology

The HDD is continually evolving to achieve higher capacity, better robustness, faster speed and lesser energy consumption.

Hybrid Drive

Hybrid drives are a new generation of HDDs that incorporate large flash memory buffers for increased performance. By including a large capacity flash memory buffer, hybrid drives map complete sectors of the hard disk to flash memory. Data transfer speed is faster, as access to the information does not involve locating the data on spinning platters. Hybrid drives use less power by keeping frequently accessed data in the flash memory, extending valuable battery life in laptops and notebooks.

Alternative storage solution and HDD Contender

The next technology that is expected to cause a rift in the HDD rule for high capacity storage solution is the Solid State Disk (SSD).

Solid State Drive (SSD)

SSD is a flash-based storage technology. The storage medium is not magnetic (like a hard disk) or optical (like a compact disc) and has no moving mechanical parts. It uses silicon wafers as

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the storage medium and the production employs the semiconductor fabrication technology, both of which are very costly as compared to the HDD fabrication.

The SSD has mechanical advantages over the HDD as it has a smaller footprint for same storage size, has lower power consumption and less cooling requirement. Technically it is superior in performance in terms of reading speed and mechanical robustness compared to the conventional HDD because it does not have mechanical parts for reading and writing. However due to the storage management system employed by current computer operating systems which was designed for use with HDDs, the full potential of the SSD is not realized in current operating systems. Even the SSD form factor is currently designed to fit the standard 2.5inch mobile HDD form factor. Furthermore, SSD is still new in the electronics industry, thus long term reliability is still under-documented. In its current state, the SSD is not an immediate threat to the HDD market as its comparable advantages over HDD is not significant enough to compensate for the much higher price for the same storage space.

Samsung was the first company to declare SSD a strategic market as early as 2005. By 2009, all key HDD manufacturers had entered the SSD market. Non-HDD key players for the solid state drives include Hynix Semiconductor, Intel and STEC Incorporated. In 2008 it is estimated that approximately 1% of personal computers used SSD with expected annual growth rate of more than 50% up to 2011.

The evolution of the HDD industry has impacted the precision cleaning industry in that now precision cleaning has become a critical process in the manufacture of HDD. The HDD assembly is a clean room Class 100 process. However, with new technology such as the SSD, the precision cleaning requirement has changed due to the manufacturing process of SSD which is different than HDDs. SSD manufacturing employ wafer fabrication techniques therefore the cleaning method requires higher tolerance and uses solvent based cleaning methods. The manufacturing process would be a Class 1 or Class 10 clean room operation.

Global HDD Competitive Landscape

In 1985 there were around 60 HDD manufacturers worldwide. The HDD industry today has consolidated into five major HDD producers. They are Seagate, Western Digital, Hitachi Global Storage Technologies (Hitachi GST), Samsung and Toshiba. The global hubs for HDD development, fabrication and assembly includes US, Japan, Korea, Singapore, Malaysia, Thailand, The Philippines, PRC and Vietnam. As of 2010, the global HDD market is worth 33.9

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billion USD (MYR 103.8 billion) or almost 664 million unit shipments whereby PRC and Singapore's HDD revenues contribute to almost 60%.

The following table lists the top 5 global HDD industry players including the location of their headquarters and final assembly facilities.

Top 5 Global HDD Manufacturers (2010)

Market Rank	Company	HQ	Overview	HDD production facilities (including final assembly)
1	Western Digital Corporation	Lake Forest, California	Western Digital entered the HDD business since 1988 through the acquisition of Tandon Corporation's HDD business. The company currently ranked first in global market share for HDD.	United States Malaysia Thailand
2	Seagate Technology	Dublin, Ireland	Seagate was founded since 1979 and primarily focus on hard disk drive and storage technologies. The company is one of the leaders in global high-end enterprise HDD and ranked second in the overall HDD market share.	United States PRC Malaysia Singapore Ireland Thailand
3	Hitachi Global Storage Technologies	San Jose, California	Hitachi first enters the HDD business since 1967. Hitachi GST was established in 2003 after a strategic acquisition of IBM's storage technology business. The company ranked third in global market share for HDD and produces high-end enterprise HDDs. By Q3 2011, Hitachi will exit the HDD industry as a result of the acquisition of its HDD arm by Western Digital.	United States Philippines Singapore PRC Malaysia Thailand
4	Toshiba Corporations	Tokyo, Japan	Toshiba entered the HDD business since 1967. The Storage Device Division operates the HDD business which includes development manufacturing. Toshiba manufactures 1.8", 2.5" and enterprise HDD. Since October 2009, Toshiba has	Philippines Thailand Malaysia PRC

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			acquired Fujitsu Limited's HDD business. The merger places Toshiba in the lead of Samsung in terms of market share.	
5	Samsung Electronics	Hwasung-City, Gyeonggi-Do, Korea	Samsung Storage System Division is a leading producer of high-capacity, high-performance HDDs for notebook and desktop PCs, as well as digital camcorders, MP4 players and a wide range of other consumer electronics and mobile devices	Korea

HQ=Headquarters

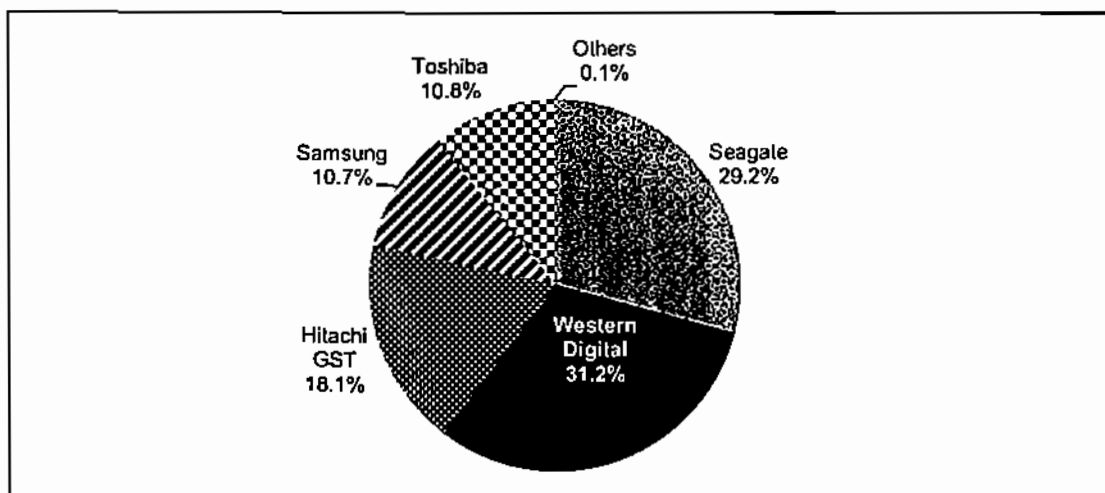
Source: Companies

Global HDD Market Share

Since October 2009, Toshiba and Fujitsu had merged, resulting in the global HDD industry being dominated by 5 key players. Toshiba's move for acquisition of Fujitsu's HDD business in October 2009 has placed the company in front of Samsung in terms of market share. By Q1 2010, for the first time, Western Digital led with 31.3% market share, overtaking Seagate which managed 30.9%. This was followed by Hitachi (17.6%), Toshiba (10.7%) and Samsung (9.5%).

In Q4 2010, the HDD market continued to be led by Western Digital with 31.2% market share, followed by Seagate (29.2%), Hitachi GST (18.1%), Toshiba (10.8%) and Samsung (10.7%).

Estimated Top 5 HDD Players Market Share for Q4 2010



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

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On March 7, 2011, Western Digital announced its intention to acquire Hitachi GST for a value of approximately USD 4.3 billion (MYR 13.2 billion). The acquisition exercise is expected to be completed during Q3 of 2011. This consolidation of players will result in Western Digital to become a major HDD player with an estimated market share close to 50%, as well as a player within the enterprise HDD segment. This acquisition move by Western Digital follows its establishment of a hard drive R&D centre in Singapore in February 2011.

Development and Evolution of the HDD Industry in Singapore

The HDD industry in Singapore came into existence in 1982, when Seagate invested in its first sub-assembly operation in Ang Mo Kio. This was then followed closely by other US-based HDD manufacturers such as Maxtor Corporation (Maxtor), Western Digital, IBM and Rodime Plc, making Singapore as one of the key HDD hubs in the world. Initially, the Singapore operations of these companies had to rely on the sourcing of component parts from United States and elsewhere. In the 1984-1986 periods Conner Peripherals Inc. (Conner) pioneered a vendor development program to develop local entities into manufacturers for the HDD components and parts. This move has set the ground for the development of the supporting industries for HDD assembly in Singapore.

Between the late 1990's to early 2000 there was a spurt of growth from high-technology industries supporting the HDD manufacturing industry such as the printed circuit board (PCB), flex circuit board (FCB) manufacturing, PCB/FCB assembly, substrates (also known as "disk media") fabrication, disk media sputtering or physical vapor deposition (PVD), chemical manufacturing, precision engineering services, clean room services and automation equipment. By early 2000 the Singapore HDD manufacturing industry sourced almost all of its electronics components and high-end precision mechanical parts from surrounding manufacturing facilities and Singapore HDD shipment had accounted for almost 50% of global production output. Singapore also became the major producer for high-end enterprise HDD when Hitachi GST transferred a significant portion of its high-end HDD assembly from Philippines to Singapore in 2003 through the acquisition of IBM's assembly facility. Today, Singapore ships almost 80% of the global enterprise HDD requirements.

Through the early 1990s, existing HDD manufacturers started to expand their global operations aggressively. Singapore has been facing competition from lower cost countries as the alternative manufacturing hub for lower-end consumer HDD. For example, the Thai government has been actively lobbying major HDD companies to invest in their country through offering

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incentives such as extended period for tax exemptions based on performance and duty-free import of machineries. In 1992, with support from the HDD manufacturers and vendors community, the Data Storage Institute (DSI) was established to support the HDD industry in Singapore. By the mid 1990s, the industry had diffracted into high-end operations and low-end sub-assemblies. By then, Singapore Seagate, Western Digital and Maxtor started to relocate their lower-value sub-assembly operations in countries like Thailand, Malaysia, PRC and the Philippines because of rising costs in Singapore. By early 2000, Thailand and PRC emerged as one of the new major global HDD production hub with global shipments at 18% and 22% respectively whereas Singapore shipments began to dip below 40%. Singapore was still favored for the high-end manufacturing due to higher-skilled labor forces, availability of good technical expertise, political stability, better infrastructure and logistics infrastructure.

However by mid-2000, Singapore once again had to re-think its strategic positioning in the region as cost factors had driven manufacturers to relocate even the high-tech manufacturing and assembling facilities out of Singapore. For example, in 2005, National Semiconductor closed down its chip producing plant in Singapore and relocated to PRC. Maxtor had also closed one of its factories in Singapore to relocate to PRC. The following year, Maxtor exited the HDD market after being acquired by Seagate. Singapore with its highly skilled workforce has now focused on disk media research and development activities to differentiate itself from other HDD hubs and adding value to their current position. Companies like Seagate and Hoya Corporation (Hoya) were first to invest in their hard disk media fabrication facilities in Singapore followed by Showa Denko K.K (SDK). By 2006, Seagate has invested in 3 hard disk media manufacturing facilities in Singapore. In 2005 the HDD industry in Singapore was estimated to worth approximately SGD 14 billion (MYR 33.6 billion). This development in the disk media sector is a great boon for new emerging services such as the surface treatment and precision cleaning industries. Current precision cleaners for the HDD industry in Singapore include MClean Technologies Pte. Ltd., Sonic Clean Pte. Ltd., Asian Micro Holdings, Nanoclean Pte. Ltd. and Frontken Pte. Ltd.

Recent developments, trends, impact and recovery from the global financial crisis

Currently there is only 2 Tier 1 HDD assembly facilities in Singapore left and operated by Seagate and Hitachi. All major HDD manufacturers had moved their final assembly facilities away from Singapore to take advantage of the lower operational costs in other countries such as Thailand and PRC. PRC is progressively emerging as a serious contender due to its growing local market demand with the added advantage of unlimited pool of resources and low-cost operations.

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In August 2009, Seagate announced that it would close the HDD final assembly plant in Ang Mo Kio and relocated the HDD production to existing facilities in the PRC by their fiscal year 2011. Seagate has started the relocation of its HDD assembly operations from Singapore to PRC. Upon the completion of the relocation Seagate will cease its HDD production in Singapore.

In 2010, Western Digital acquired Hoya Magnetics Singapore Pte. and by February 2011 established a hard disk media R&D center in Singapore. In March 2011, Western Digital announced its intention to acquire Hitachi's HDD arm for a value of 4.3 billion (MYR 13.2 billion) which is expected to close by Q3 2011. These acquisitions complete Western Digital's expansion strategy to enter into the high-end enterprise HDD industry in Singapore.

Singapore is still the biggest producer for the global hard disk media accounting for at least 50% of global output³. Singapore has re-invented itself as the niche region for HDD storage media research, development and manufacturing. Furthermore, Singapore's economy recorded an annual growth of 14.5% for 2010, reversing the decline in growth rate recorded in 2009 at 0.8%, proving the country as a resilient global player by its ability to leap out of the global economic downturn within a short period of time. The manufacturing sector experienced a year-on-year growth of 25.5% in Q4 2010, which gives further assurance that the manufacturing sector is in fact on the rise again.

For the HDD vendor community, services which support the manufacture of hard disk media are not greatly affected. However for others, it is expected that the vendors will still be able to sustain from servicing other HDD manufacturers within the region such as those in Malaysia and Thailand.

Singapore HDD Market Analysis

Singapore's HDD shipment over the recent decades has dwindled down from approximately 20% of overall global shipment in 2006. The shipment levels were highly affected by the economic downturn of 2007-2009 as capacities were reduced further. By 2010 Singapore only shipped about 15.8% of the global HDD output. The following table shows the growth trend for shipment unit and estimated revenue for the duration 2006-2010.

³ Singapore Economic Development Board (SEDB)

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Singapore HDD Market Growth History (2006 to 2010E)

Year	Singapore HDD Shipments (Million Units)	Growth Rate (%)	Percentage of Global Shipment (%)	Estimated Revenue (USD billion)
2006	87	—	20.0	6.24
2007	103	18.2	19.0	6.23
2008	93	-9.5	18.0	5.94
2009	89	-3.9	16.0	4.80
2010E	104	16.4	15.8	5.70

Shipment (2006-2010E) CAGR 4.6 %

Revenue (2006-2010E) CAGR -2.2 %

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

The Singapore and PRC HDD market is inter-related as such that the period now is seeing the manufacturing industry exiting from Singapore and relocating into PRC. There is an expected transfer of production volume from Singapore into PRC within the forecast period.

Estimated Singapore HDD Market Growth Forecast (2011F to 2016F)

Year	Singapore HDD Shipments (Million Units)	Growth Rate (%)	Percentage of Global Shipment (%)	Estimated Revenue (USD million)
2011F	5.9	-94.3	0.80	317
2012F	6.3	6.0	0.77	324
2013F	6.7	6.9	0.75	334
2014F	7.0	4.2	0.72	340
2015F	7.3	4.7	0.70	347
2016F	7.7	4.6	0.68	354

Revenue CAGR (2011F-2016F) 2.2%

Shipment CAGR (2011F-2016F) 5.5%

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

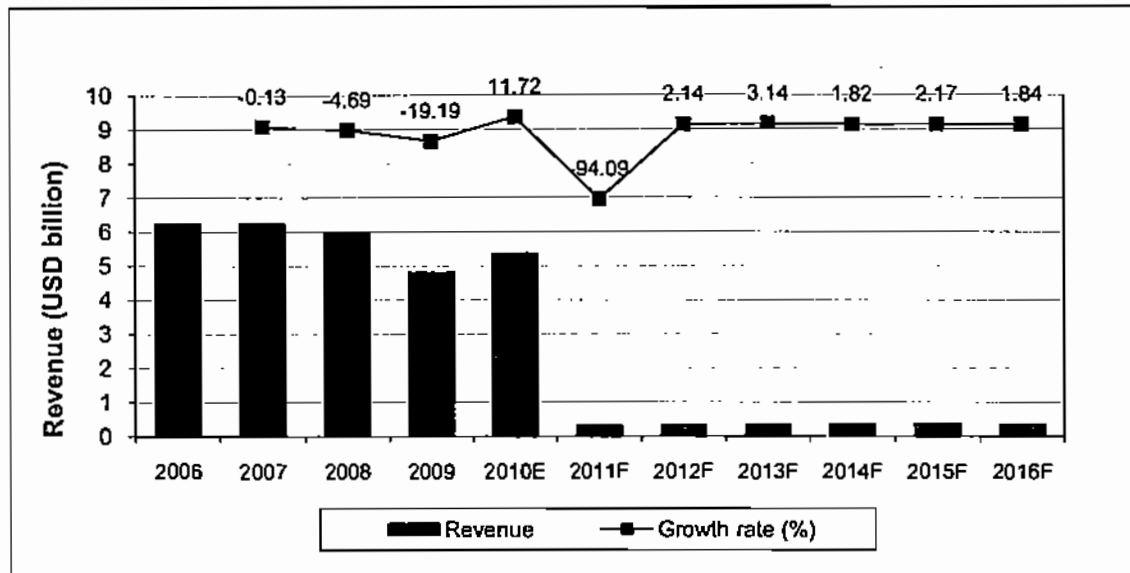
The impact from this relocation will be apparent from 2011 onwards, as the disk media production will be the main HDD manufacturing industry for Singapore replacing the HDD final assembly industry. In the long term, this change will affect the HDD industry linkages that are directly related to the Tier 1 manufacturing. It is expected industries such as parts manufacturers, vendors and sub-assembly will start to move out of Singapore to follow the Tier 1 production location. The industry linkages related to the manufacture of disk media such as

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the disk substrate manufacturing, precision cleaning and the surface treatment and magnetic sputtering services will still remain in Singapore and continue to support the disk media industry.

Singapore HDD Market Growth Trend and Forecast (2004-2016F)



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Development and Evolution of the HDD Industry in PRC

PRC emerged as the new HDD hub fairly recently starting around the mid 1990's as the manufacturing location for HDD precision parts and sub-assemblies. A number of the U.S based HDD manufacturers then in Singapore, were looking for alternative low-cost destination to transfer their sub-assemblies to. Early investors in HDD were Microscience International and Conner Peripherals. Seagate's operation in PRC was established in 1995 in Wuxi near Shanghai, to build hard drives for personal computers and low-end mass market.

Since the early 1980s, PRC has become the hub for the manufacture and assembly of personal computers and computer parts, as well as the vendor supplier for the Korean computer and electronics industry, with the industry concentration in the Special Economic Zones (SEZ), especially in Shenzhen. By the 1990s, PRC was the global manufacturer for computer parts such as motors, computer housings, magnetic heads, electronic circuit boards, power supply and HDD. The period between late 1990's and early 2000 saw many global HDD investors expand manufacturing facilities into PRC such as Seagate, Hitachi, Fujitsu and Maxtor.

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Magnetic head manufacturers with operations in PRC include TDK, Alps Electric and Read-Rite.

PRC has grown into a huge manufacturing hub with capabilities to produce high quality precision parts and electronics. The low-cost manufacturing options had driven many HDD manufacturers to engage in contract manufacturing with local fabricators in PRC for many of the precision components that make up the HDD. The HDD was also becoming a cost driven commodity business as price points reduced dramatically due to sensitive pricing from the consumer electronics sector. PRC in itself is a fast-growing market for the sale of HDD. By early 2000 there has been a development of many high-technology industrial clusters in PRC. The more successful areas with high growth and development were in the south of Jiangsu province, particularly in Nanjing, Suzhou, Changzhou, Wuxi and Zhenjiang.

Through the early to mid 2000, Hitachi GST became a major investor in PRC, setting up two components manufacturing facilities and a media substrate manufacturing facility in Shenzhen. Hitachi GST had also engaged with a local assembler Excelstor Co., Plc. which later started to produce their own brand for the low-end domestic PRC HDD market. Seagate followed closely relocating its components assembly (head stack) facility and HDD assembly for the low-end consumer market into Suzhou.

Recent developments, trends, impact and recovery from the global financial crisis

Today, PRC accounted for approximately 40% of the global HDD production. For the HDD market, PRC was the least impacted in the global financial crisis of 2007-2009 as compared to other HDD production hubs with positive growth rates in 2009 of 14.8% as compared to Singapore which recorded negative growth. This is mainly because the economic downturn had driven majority of the HDD manufacturers to relocate to PRC and take advantage of the lower operating cost. Furthermore, PRC's huge end-user market potential for HDDs has helped to sustain the industry locally. The government economic stimulus has greatly benefitted local entities thus ensuring sustenance of the vendor industry during the economic downturn. Despite the overall recessive trend of the export-oriented manufacturing industry since mid-2008, PRC remains as the preferred location for technology-based investments due to the availability of low-cost skilled labor as compared to other low-cost Indo-China countries. Since end of 2010, Seagate has started the relocation of its HDD assembly production from Singapore to existing manufacturing locations in PRC. To date, PRC has a healthy portfolio of investors in the HDD industry with names like Seagate, Hitachi GST and Toshiba have set foot manufacturing facilities there. By Q3 2011, Western Digital would also be an active industry players in PRC through its acquisition of Hitachi's HDD arm. PRC has also become a major

8. EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA) (Cont'd)

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global supplier for HDD precision parts with vendor manufacturers like Nidec, Donaldson and Alps Electronics forming HDD industrial clusters in the new and hi-tech industrial development zones such as Wuxi, Shenzhen and Suzhou New District (SND) industrial areas to support the overall HDD industry in PRC. Seagate's HDD production facilities are located in both Wuxi and Suzhou.

As such, the HDD demand from the domestic markets is already seeing an upswing, which has also resulted in the industry's resilience in PRC to the global financial crisis, and it is likely that PRC will continue to dominate and lead as the major producer of consumer HDD in the world throughout the forecast period (2011-2016). The vendor industry is also expected to grow and expand capacity in order to fulfil the global HDD manufacturing requirements.

PRC HDD Market Analysis

The dominance of PRC as the major production hub had progressed on through to the late 2000s. The main factor for PRC's success was due to the strong presence of supporting industries such as rare earth metals, substrates fabrication, and precision parts manufacturers, throughout the value chain locally.

Throughout 2006-2010, HDD shipment growth rates for PRC is fairly stable and less impacted by the recession as manufacturers reduce output from other assembly plants and ramp up outputs in PRC. This is to take advantage of the lower operating cost and rejuvenate profit margins that had suffered due to HDD price erosion during the crisis. The following table shows the growth trend for shipment unit and estimated revenue for the duration 2006-2010 with CAGR at 6.2%. Despite the positive shipment growth, revenue growth rates have slowed down significantly as attributed by the price erosion suffered by the industry.

PRC HDD Market Growth History (2006 to 2010E)

Year	PRC HDD Shipments (Million Units)	Growth Rate (%)	Percentage of Global Shipment (%)	Estimated Revenue (USD billion)
2006	143	–	33.0	10.30
2007	184	28.2	34.0	11.15
2008	186	1.2	36.0	11.88
2009	226	19.9	39.9	11.97
2010E	276	24.1	42.0	14.25

*Shipment CAGR (2006-2010E) 17.9 %
Revenue CAGR (2006-2010E) 6.2 %*

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(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Starting 2011, there will be a significant jump in HDD production in PRC attributed to Seagate's relocation of production to PRC's assembly facilities. This will put PRC as the biggest HDD producer in the world based on units produced. This hike in production levels is expected to be taxing to the domestic resources and at the same time will open up opportunities for outsourcing of services to third party vendors such as critical parts manufacture, precision cleaning and inventory management.

The following table presents the next 6 years forecast for the HDD industry in PRC. HDD shipments are expected to grow from 434 million units in 2011 to 835 million units by 2016 with a CAGR of 14.0 % during 2011 to 2016, and estimated revenue CAGR of 10.7% in the same period.

Estimated PRC HDD Market Growth Forecast (2011F-2016F)

Year	HDD Shipments (Million Units)	HDD Shipments Growth Rate (%)	Percentage of Global Shipment (%)	Estimated Revenue (USD billion)
2011F	434	57.2	58.7	23.2
2012F	510	17.3	62.1	26.3
2013F	602	18.1	66.9	30.0
2014F	673	11.8	69.4	32.7
2015F	750	11.5	71.8	35.6
2016F	835	11.3	74.2	38.59

*Revenue CAGR (2011F-2016F) 10.7 %
Shipment CAGR (2011F-2016F) 14.0 %*

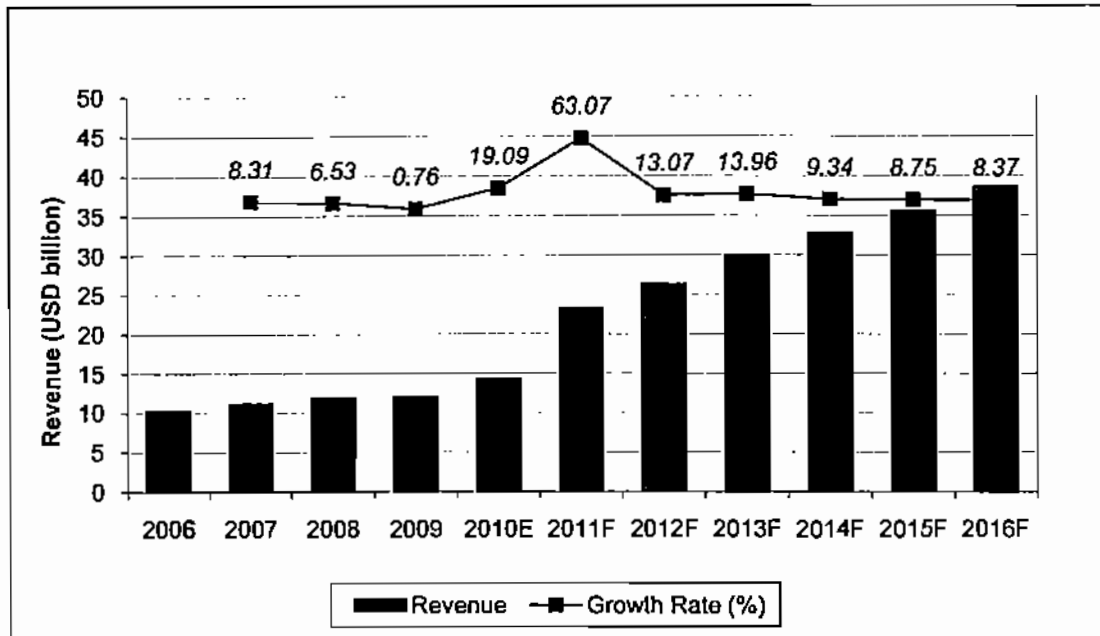
(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

Following the growth spike of 2011, the market is expected to experience stabilized growth rates. PRC HDD industry produces HDD units for segments such as PCs, notebooks and consumer electronics, as these segments demand a high volume production. PRC's dominance as a global HDD production centre is likely to continue through the forecast period.

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PRC HDD Market Growth Trend and Forecast (2006-2016F)



(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

South East Asia as the Global Production Network for HDD

HDD manufacture and production is a global activity and the supply chain crosses geographic and political boundaries. Parts that make up the entire HDD may be sourced from any of these manufacturing hubs in the world. The suppliers and vendors for HDD industry are no longer necessarily restricted by locality, instead may supply goods or services to the global platform.

In the South East Asia region, Malaysia, Thailand and Singapore are among the main producers of hard disk components and disk media substrates. The HDD industry is supported by these key supply hubs based on different levels of requirements in the value chain. Historically, Singapore is much more developed as compared to Malaysia and Thailand thus have become the center for a more skill-intensive operations and decision-making such as process engineering, product engineering, failure analysis and debugging, and for the production of high-end enterprise servers. Malaysia and Thailand has become a mixed base for more labor-intensive downstream and midstream production such as machining, substrates fabrication, head gimbal assembly to the end-of-product assembly base. Malaysia and Thailand also serve as a transfer point and support drive facilities in Singapore and PRC, and increasingly ramp up products directly from US and Japan.

8. **EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA)**
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Malaysia HDD Industry

HDD manufacturers with production in Malaysia include Western Digital, Seagate and Hitachi. Seagate Technology commenced operations in Malaysia in 1988 in Penang. The Penang Seagate site manufactures magnetic recording head or sliders. This plant produces approximately 70% of the company's worldwide sliders. Seagate's Johor site produces media substrates. Western Digital currently operates facilities in Malaysia at Johor and Penang which produces substrates and the final assembly at Selangor. Hitachi GST has a substrates production facility in Sarawak. Malaysia is a leading supplier of media substrates for HDD manufacturers. Other substrates producers include Showa Aluminium, Kobe Precision and Fuji Electric.

Malaysia is home to many disk drive component suppliers. The supplier base is very strong in Malaysia. Critical components produced in Malaysia for disk drive manufacturing include disk media, disk substrates, magnetic heads, head gimbal assemblies, voice coil motors, actuators, bearings and flexible circuit assemblies.

Thailand HDD Industry

Thailand is considered the leading player in HDD manufacturing. The HDD's cluster development program is concentrated in the central and north-eastern regions and close to Bangkok. In 2009, Thailand's HDD industry was worth 413 billion baht and contributes to 4.5% of GDP. The world's top three HDD makers Seagate Technology, Western Digital and Hitachi Global Storage Technologies have set up their operations in Thailand. Seagate's HDD production and sub-assembly facility is located in Korat and another sub-assembly facility in Teparuk. Thailand's main electronics exports are HDD and integrated circuits (IC), which account for about 54% and 29% of total electronic exports, respectively. Thailand produces motors, head assemblies and consumer and mobile HDD.

In a recent move by the leading HDD maker Toshiba, after its buy out of Fujitsu in early 2009, Toshiba decided to make Thailand its HDD hub. Companies such as Western Digital and Hitachi GST have also started hiring workers in Thailand after experiencing a slight increase in demand for HDDs.

8. EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA) (Cont'd)

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Reliance and Vulnerability to Imports

The precision cleaning service industry is reliant on the availability of manual labor and utility supply such as water and electricity. Pure distilled water (or reverse osmosis water) is supplied by local suppliers and electricity from the local grid. Singapore has a very reliable utility supply with no recorded downtime. Industries in PRC on the other hand faces frequent disruptions in utility supply particularly electricity. Regardless, these items are not imported items.

Other consumed items include the cleaning surfactants, clean-room standard polybags for packing and standard clean-room attire that are available locally in Singapore and PRC. As such the precision cleaning industry is not reliant on imports for its operational requirements.

Product Substitution

There is no foreseeable threat of product substitution in the precision cleaning industry as it is an integrated and critical process in the production of the HDD. However as the disk media capabilities continue to improve and requirements for surface purity increases, the cleaning technology will need to be developed in line with the stringent requirements. Precision cleaners will need to upgrade equipment and develop more advanced processes in order to keep up with the requirements. For example, in the future, precision cleaners may have to comply to stricter clean room requirements such as Class 10 or Class 1 (Currently, HDD clean room operation is only Class 100).

Relevant Laws and Regulations

There are no governing laws and regulations that are unique to the operation of HDD industry. However the industry adopts self-regulation as a means of introducing quality standardization across the industry linkages and enabling the supply chain to be more efficient.

Supply Trends and Conditions (Singapore and PRC)

The following shows the list of selected suppliers to the HDD industry that use precision cleaning in their manufacturing process in Singapore and PRC. These suppliers in general also supply to HDD manufacturers in other global locations such as Malaysia, Thailand, Philippines, Japan and United States. The precision cleaning may be conducted in-house or outsourced to third party cleaners.

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Suppliers to the HDD Industry in Singapore & PRC

Manufacturing Location	Supplier	Item supplied	Supply to
Singapore	Hoya Magnetics Singapore Pte. Ltd	Hard disk media	Singapore
Singapore	Showa Denko HD Singapore	Hard disk media	Singapore
Singapore	Hi-P International Limited	Plastic precision parts	Singapore
Singapore	First Engineering Limited	Plastic Precision parts	Singapore, PRC
Singapore	Donaldson Filtration Asia Pacific Pte. Ltd	Disk drive filter, seals	Singapore
Singapore	Nidec (Singapore) Pte. Ltd.	Spindle motors, pivot assemblies	Singapore
Singapore	Disk Precision Industries Pte. Ltd	Mechanical drive components	Singapore
Singapore	W.L. Gore & Associates (Pacific) Pte Ltd	Disk drive filter	Singapore
Singapore	Amtek Precision Technology Pte Ltd	Mechanical drive components	Singapore
Singapore	Rayco Technologies Pte. Ltd	Elastomeric component: seals, damper and connectors.	Singapore
Singapore	Seksun Corporation Ltd.	Mechanical drive components	Singapore
Malaysia	Showa Denko HD (M) Sdn. Bhd.	Hard Disk Media	Singapore
Malaysia	Toyo-Memory Technology Sdn. Bhd.	Aluminium disk substrate	Singapore
Malaysia	JCY International Berhad	Mechanical drive components	PRC
Malaysia	QB Technology (Malaysia)	Magnetic coils	PRC
Malaysia	Kobe Precision Technology Sdn Bhd	Aluminum disk substrate	Singapore
Malaysia	Entegris (M) Sdn Bhd	Disk carriers, cassettes, trays	Singapore
Thailand	National Semiconductors	Base plates & cover	Singapore
Taiwan	Entegris Precision Technology Corp.	Disk carriers, cassettes, trays	PRC
PRC	Texchem-Pack (Wuxi) Co., Ltd.	Disk carriers, cassettes, trays	PRC
PRC	Hi-P (Suzhou) Technology Co., Ltd	Plastic precision parts	PRC
PRC	Hi-P (Xiamen) Precision Plastic	Plastic precision parts,	PRC

8. EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA) (Cont'd)

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	Manufacturing Co. Ltd.		
PRC	Hi-P (Chengdu) Precision Co., Ltd.	Plastic precision parts	PRC
PRC	Donaldson (Wuxi) Filters Co., Ltd	Disk drive filter, seals	PRC
PRC	YK Technology Suzhou	Actuator arms	PRC
PRC	Nidec (Zhejiang) Corporation	Spindle motors, pivot assemblies	PRC
PRC	Shanghai Huashida Steel Material Co., Ltd.	Mechanical drive components, voice coil assembly	PRC
PRC	Amtek (Suzhou) Precision Engineering Ltd	Mechanical drive components	PRC
PRC	Rayco (Wuxi) Technologies Co., Ltd	Elastomeric component: seals, damper and connectors.	PRC

(Extracted from the IMR Report on the Precision Cleaning Service in the Hard Disk Drive Industry prepared by Frost & Sullivan)

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Prospects for MCLean

Based on the market outlook for the global HDD industry, the growth prospects for supporting services such as the precision cleaning service is bright. As the global economy rebounds, consumer spending on storage has shown tremendous revival back to pre-economic crisis levels. HDD end-user demands are strong and alternative storage technologies (i.e. solid state drives and hybrid disk drives) are unable to compete in terms of pricing per storage capacity within the immediate and mid-term forecast. Demand is expected to grow particularly in the mobile computing segments and high-definition entertainment sectors as internet infrastructure improves and an increase in the application of wireless technology on consumer electronics thereby allowing more people to enjoy internet access anywhere anytime. Applications such as social networking and digital recording media are contributing to large data sharing across networks and the trend for high external storage requirements. Businesses are expected to increase IT spending and replace obsolete computer terminals after two years of budget starvation during the global financial economic crisis. Enterprises are moving towards cloud computing and outsourcing of server management to data centres worldwide spurring growth in the enterprise HDD segment. The growth in HDD demand has driven the trend for outsourcing various processes of the industry value chain including precision cleaning of components, media substrates and containers. The rising cost of raw materials for polymers ensure there will always be a need for cleaning of production line accessories and transportation containers in order to meet the global HDD demands.

HDD market growth by location is expected to be strongest in the PRC due to the low-cost operations factor, the proximity to industries and the fast-growing domestic market for consumer electronics particularly in computing. The precision cleaning industry serving the HDD sector is at a growth stage with huge market potential. Currently it is estimated that the HDD industry outsources 20% of its precision cleaning needs. As a cost restructuring strategy, in August 2009, Seagate announced that it would shut down its HDD final assembly facility in Singapore and relocate to existing facilities in PRC. The relocation process has been ongoing since December 2010 and expected to complete in 2011. This move will provide further boost to the PRC industry by increasing HDD outputs. It is expected that in the long run, many of the HDD final assembly supporting industry players will follow Seagate and establish operations in the PRC to be in proximity. As MCLean has already established a presence in Wuxi, the PRC, its years of experience operating in the PRC market and the HDD industry's recognition based on its operations in Singapore will differentiate MCLean as a trusted service provider. MCLean's strategic presence in Wuxi, which is approximately one hour by road to Suzhou, allows the Company to serve the demand of Seagate and the supporting industry players in an efficient and timely manner due to the proximity to such customers. Seagate's final assembly facility

8. **EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA) (Cont'd)**

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relocation to Suzhou will have no impact to the disk media industry in Singapore as Seagate's media substrate facility in Woodlands, Singapore will continue to be in operation.

For Singapore, a new focus towards hard disk media fabrication and knowledge-based industry such as research and development for HDD storage technology is already in place in preparation of the expected contraction of actual HDD market by almost 50% by 2011. Furthermore, Singapore has created a strategic advantage for itself in the HDD global production network as the core for more skill-intensive operations and decision-making such as process engineering, product engineering, failure analysis and debugging in the South East Asia region. Singapore is also the top producer for hard disk media supplying approximately 50% of the global requirement. Singapore's capabilities to continue to stay relevant and as an important and strategic hub in the global production network will ensure that the precision cleaning industry which supports it is sustainable within the forecast period (2011 -2015).

MClean has a strategic advantage by having operations in Singapore, which is the centre for hard disk media production and of strategic relevance in the HDD global production network, and in the PRC, a fast growing global HDD production hub. MClean's specialisation in the HDD industry, market leadership position, technology competence in precision cleaning, and reputation and long-standing working relationship with major HDD industry players will provide leverage and benefit to secure continued cleaning jobs within Singapore, the neighbouring HDD hubs in Malaysia and Thailand, and the PRC.

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**8. EXECUTIVE SUMMARY OF THE IMR REPORT ON THE PRECISION CLEANING SERVICE IN THE HARD DISK DRIVE INDUSTRY (SINGAPORE, THE PEOPLE'S REPUBLIC OF CHINA)
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Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours faithfully,

For and on behalf of

FROST & SULLIVAN MALAYSIA SDN BHD



DENNIS TAN

Director

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1.1 Promoters and Substantial Shareholders' Shareholdings

The shareholdings of our Promoters and Substantial Shareholders before and after the IPO as at the Latest Practicable Date and after taking into account full exercise of the Warrants are as follows:-

Name	Nationality/ Place of Incorporation	As at the Latest Practicable Date		After the IPO		After the IPO and assuming full exercise of the Warrants	
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Promoters and Substantial Shareholders							
JGPL	Singapore	38,747,942	-	38,747,942	-	60,121,913	34.14
Jason Yeo	Singaporean	27,487,000 ⁽³⁾	39,748,004 ⁽¹⁾	21,117,000	39,748,004 ⁽¹⁾	33,298,000	18.91
Bert Chow	Singaporean	10,919,999	-	8,919,999	-	12,879,998	7.31
Substantial Shareholder							
SinCo Technologies	Singapore	18,599,997	-	15,149,997	-	22,724,996	12.90
Lim Jit Ming, Bryan	Singaporean	-	18,599,997 ⁽²⁾	-	15,149,997 ⁽²⁾	-	22,724,996 ⁽²⁾

Notes:-

- (1) Deemed interested by virtue of his siblings, Yeo Seow Lai and Yeo Lian Cheng, shareholdings in MClean and his shareholdings in JGPL pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of his shareholdings in SinCo Technologies pursuant to Section 6A of the Act.
- (3) Immediately prior to the Public Issue and the Offer for Sale, Jason Yeo's shareholding shall be reduced to 26,717,000 Shares or approximately 26.19% of our Company's Shares-in-issuance then by virtue of a partial settlement to KIBB for services rendered as Placement Agent in respect of the placement of his portion of the Offer Shares amounting to 770,000 Shares and 365,000 Warrants, further details as set out in Sections 3.11 (c) and 11.9(f) in this Prospectus.
- (4) Based on the Shares-in-issuance of 117,400,000 after the completion of the IPO.
- (5) Based on the Shares-in-issuance of 176,100,000 assuming the full exercise of the Warrants.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The shareholdings of Bert Chow, being a founding member of our Group (via Magnetronics) in 2001, has since decreased to 10.71% as at the Latest Practicable Date. It should be noted that although Bert Chow is a founding member of our Group, he is a founder of Magnetronics / MClean Singapore only. His shareholding is therefore confined to only the Magnetronics Group (similar to SinCo Technologies) which was only 16.00% then. The shareholding position of MClean has already crystallised due to the internal reorganisation, further details of which are set out in Section 11.3 of this Prospectus. Our Group comprises of not only the Magnetronics Group but also the Techsin Group, which is wholly-owned by Jason Yeo. Please refer to Section 5.1.2 of this Prospectus for the growth and development of the Magnetronics Group and Techsin Group with the inclusion of the contributions of Jason Yeo and Bert Chow to the growth of each arm. Since Jason Yeo wholly owned the Techsin Group prior to the internal reorganisation, naturally when the Group is formed under the internal reorganisation, Bert Chow's original shareholding in Magnetronics would be diluted on the enlarged Group basis (similar to SinCo Technologies' shareholding) from 16.00% in Magnetronics to 10.71% in MClean as at the Latest Practicable Date.

Save for the foregoing, we are not aware of any other person(s) who directly or indirectly, jointly or severally, exercise control over us.

The Warrant holdings of our Promoters and Substantial Shareholders to be issued and allotted in conjunction with the Public Issue are as follows:-

Name	After the IPO			
	Direct		Indirect	
	No. of Warrants	% ⁽¹⁾	No. of Warrants	%
Promoters and Substantial Shareholders				
JGPL	21,373,971	36.41	-	-
Jason Yeo	12,181,000	20.75	21,374,002 ⁽²⁾	36.41
Bert Chow	3,959,999	6.75	-	-
Substantial Shareholder				
SinCo Technologies	7,574,999	12.90	-	-
Lim Jit Ming, Bryan	-	-	7,574,999 ⁽³⁾	12.90

Notes:-

- (1) Based on the total 58,700,000 Warrants to be issued pursuant to the Public Issue upon completion of the IPO.
- (2) Deemed interested by virtue of his sibling's, Yeo Seow Lai, beneficial warrant holdings in our Company upon issuance of the Warrants and his shareholdings in JGPL pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of his shareholdings in SinCo Technologies pursuant to Section 6A of the Act.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.2 Profile of the Promoters and Substantial Shareholders

JGPL, Singapore-incorporated Promoter and Substantial Shareholder

JGPL was incorporated under the Companies Act of Singapore on 8 February 2010 in Singapore. JGPL is currently dormant and its intended principal activities are investment holdings.

As at the Latest Practicable Date, JGPL has an issued and paid-up share capital of SGD2.00 (equivalent to approximately RM4.80) comprising two (2) ordinary shares.

The sole director and shareholder of JGPL as at the Latest Practicable Date is Jason Yeo.

Jason Yeo, Singaporean, aged 47 Executive Chairman, Promoter and Substantial Shareholder

Jason Yeo was appointed to the Board on 1 June 2010 and is the Executive Chairman of our Group and a Director of Magnetronics, MClean Singapore, Techsin Singapore and Techsin Wuxi. Jason Yeo is primarily responsible for the overall strategic direction and planning of our Group and had started our Group's primary business in precision cleaning for the HDD manufacturers and assemblers through the founding of MClean Singapore.

He obtained his Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore in 1991. Prior to that, Jason Yeo was an Air Force Technician for six (6) years, between 23 December 1981 to 22 December 1988 before venturing into moulding design and manufacturing field for the food industry between February 1989 and June 1990. On 8 June 1990, Jason Yeo established JCS Auto which specialised in designing and manufacturing of conveyer system and spray painting booths for the plastic moulding industry. He had also collaborated with Brilliant Pte Ltd in mid 1992 in inventing precision cleaning systems for die cast parts in the HDD industry, marking his first venture into the precision cleaning industry.

Having founded JCS-Echigo, a trading company specialising in the provision of ultrasonic and various cleaning equipment, clean room products and manufacturing services worldwide on 25 November 1999, Jason Yeo had also established JCS Ultrasonic (Thailand) Co., Ltd. in Thailand on 14 October 1999 and Jianyang JCS Automation Co., Ltd. on 19 January 2000 in the PRC, to further support the rapid growing business developments of his businesses. After acquiring a 54% equity stake in Magnetronics in 2002, Jason Yeo led Magnetronics for its later developments and ventures in different industries and to further expand its operations from Singapore to also include the PRC through Techsin Wuxi.

As at the date of this Prospectus, Jason Yeo has more than 15 years of experience in contract services and the equipment manufacturing industry.

Bert Chow, Singaporean, aged 50 CEO, Promoter and Substantial Shareholder

Bert Chow is our Group's CEO and was appointed to the Board on 1 June 2010. He is responsible for the overall business operations of our Group, including our overall sales and finance. He obtained his Degree of Bachelor of Engineering (Electrical) in 1986 from the National University of Singapore. He has more than 20 years of experience in the high technology manufacturing industry having first joined the industry after his graduation in 1986.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Bert Chow started as a Test Engineer with Micropolis (Singapore) Pte Ltd on 1 April 1986 up to 15 June 1987. He was attached to Micropolis Corporation USA for a year before returning to Singapore and became Project Engineer from 15 June 1987 to 30 September 1988. Micropolis is in the business of manufacturing high-end disk drive. On 1 October 1988 to 30 September 1991, Bert Chow was seconded to set up Micropolis Corporation (Thailand). From 1 October 1991 to 30 September 1992, Bert Chow was the Director of Micropolis (Singapore) Pte Ltd.

Between 1 October 1992 and 31 December 1995, he was designated as Quality Director in Integral Peripherals Inc, a PCMCIA (Personal Computer Memory Card International Association) Storage manufacturing company in Singapore. Subsequently Bert Chow joined a manufacturing facility OmniGrace (Thailand) Ltd ("OmniGrace") as Vice President of Operations. OmniGrace is in the business of manufacturing medical and Clean Room gloves. He was with the company from 1 June 1996 to 15 Jan 1999. He joined Magnetronics Pte Ltd ("MPL"), a company founded by Mr Lee Zhi Hong on 1 February 1999 as Operation Director. Subsequently, on 2 June 2001, Bert Chow and Mr Lee Zhi Hong formed Magnetronics and Bert Chow had since resigned as the Operation Director of MPL.

**SinCo Technologies Pte Ltd, Singapore-incorporated
Substantial Shareholder**

SinCo Technologies was incorporated under the Companies Act of Singapore on 2 November 1995 in Singapore. The principal activities of SinCo Technologies are manufacturing of key pads and engineering rubber and general wholesale trade.

SinCo Technologies is founded by Lim Jit Ming, Bryan in 1995, who is also its controlling shareholder. Lim Jit Ming, Bryan (Singaporean, aged 53) is also currently the Chief Executive Officer of SinCo Technologies principally responsible for its overall management and operations. He has over 25 years of experience in the rubber products industry. He joined Sei Woo Rubber Industries Pte Ltd in 1985 as the Senior Manager of Operations and Sales. Before he left Sei Woo Rubber Industries Pte Ltd in 1996, Mr Lim held the position of General Manager. Lim Jit Ming, Bryan completed his 'O' Levels at St Andrews Secondary School in Singapore.

As at the Latest Practicable Date, SinCo Technologies has an issued and paid-up share capital of SGD250,000 (equivalent to approximately RM599,475) comprising 250,000 shares.

The current directors of SinCo Technologies are Lim Jit Ming, Bryan and Teo Soo Geok Josephine, and its sole shareholder as at the Latest Practicable Date is Lim Jit Ming, Bryan.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.1.3 Changes in Promoters and Substantial Shareholders' Shareholdings since Incorporation

The changes in the shareholdings of our Promoters and Substantial Shareholders in our Company since incorporation on 17 March 2010 up to the date of this Prospectus are as follows:

Name	Date of acquisition	Direct		Indirect	
		No. of Shares held before acquisition / (disposal)	Cumulative no. of Shares held after acquisition / (disposal)	No. of Shares held before acquisition / (disposal)	Total no. of Shares acquired / (disposed)
Promoters and Substantial Shareholders					
JGPL	11 October 2010	-	38,747,942	-	-
Jason Yeo ⁽¹⁾	11 October 2010	-	27,486,992	-	39,748,004
	11 October 2010	27,486,992	8	39,748,004	-
Bert Chow	11 October 2010	-	10,919,999	-	-
Substantial Shareholder					
SinCo Technologies Lim Jit Ming, Bryan ⁽²⁾	11 October 2010 11 October 2010	- -	18,599,997 -	- -	18,599,997 -
					18,599,997 18,599,997

Notes:-

(1) Deemed interested by virtue of his siblings, Yeo Ssow Lai and Yeo Lian Cheng, shareholdings in MClean and his shareholdings in JGPL pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his shareholdings in SinCo Technologies pursuant to Section 6A of the Act.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2 BOARD OF DIRECTORS

9.2.1 Directors' Shareholdings

The shareholdings of our Directors before and after the IPO as at the Latest Practicable Date and after taking into account full exercise of the Warrants are as follows:-

Name	Nationality / Place of Incorporation	As at the Latest Practicable Date		After the IPO		After the IPO and assuming full exercise of the Warrants			
		Direct No. of Shares	Indirect No. of Shares %	Direct No. of Shares % ⁽⁴⁾	Indirect No. of Shares % ⁽⁴⁾	Direct No. of Shares % ⁽⁵⁾	Indirect No. of Shares % ⁽⁵⁾		
Jason Yeo	Singaporean	27,487,000 ⁽³⁾	26.95	21,117,000	17.99	33,298,000	18.91	61,122,006 ⁽¹⁾	34.71
Bert Chow	Singaporean	10,919,999	10.71	8,919,999	7.60	12,879,998	7.31	-	-
Loh Weng Yew	Singaporean	550,000	0.54	550,000	0.47	550,000	0.31	-	-
Dato' Mark William Ling Lee Meng	Malaysian	-	-	-	-	-	-	-	-
Pang Kong Chek	Malaysian	-	-	-	-	-	-	-	-
Yeo Seow Lai	Singaporean	600,062	0.59	600,062	0.51	600,093	0.34	33,698,000 ⁽²⁾	19.14

Notes:-

(1) Deemed interested by virtue of his siblings', Yeo Seow Lai and Yeo Lien Cheng, shareholdings and his shareholdings in JGPL pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of her siblings', Jason Yeo and Yeo Lien Cheng, shareholdings pursuant to Section 6A of the Act.

(3) Immediately prior to the Public Issue and the Offer for Sale, Jason Yeo's shareholding shall be reduced to 26,717,000 Shares or approximately 26.19% of our Company's Shares-in-issue then by virtue of a partial settlement to KIBB for services rendered as Placement Agent in respect of the placement of his portion of the Offer Shares amounting to 770,000 Shares and 385,000 Warrants, further details as set out in Sections 3.11 (c) and 11.9(i) in this Prospectus.

(4) Based on the Shares-in-issue of 117,400,000 after the completion of the IPO.

(5) Based on the Shares-in-issue of 176,100,000 assuming the full exercise of the Warrants.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The Warrant holdings of our Directors in conjunction with the Public Issue are as follows:-

Name	After the IPO			
	Direct		Indirect	
	No. of Warrants	% ⁽⁴⁾	No. of Warrants	%
Jason Yeo	12,181,000	20.75	21,374,002 ⁽¹⁾	36.41
Bert Chow	3,959,999	6.75	-	-
Loh Weng Yew	-	-	-	-
Dalo' Mark William Ling	-	-	-	-
Lee Meng	-	-	-	-
Pang Kong Chek	-	-	-	-
Yeo Seow Lai	31	⁽²⁾	12,181,000 ⁽³⁾	20.75

Notes:-

- (1) Deemed interested by virtue of his sibling's, Yeo Seow Lai, beneficial warrant holdings in our Company upon issuance of the Warrants and his shareholdings in JGPL pursuant to Section 6A of the Act.
- (2) Less than 0.01%.
- (3) Deemed interested by virtue of her sibling's, Jason Yeo, shareholdings pursuant to section 6A of the Act.
- (4) Based on the total 58,700,000 Warrants to be issued in conjunction with the Public Issue.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2.2 Profiles of Directors

Jason Yeo, Singaporean, aged 47
Executive Chairman

Please refer to Section 9.1.2 of this Prospectus.

Bert Chow, Singaporean, aged 50
Executive Director and CEO

Please refer to Section 9.1.2 of this Prospectus.

Loh Weng Yew, Singaporean, aged 46
Executive Director and CFO

Loh Weng Yew was appointed to the Board on 1 June 2010 and has been our Group's Financial Controller since November 2009. His key responsibilities include the oversight of our Group's financials and to participate in our Group's strategic developments. He graduated from Curtin University of Technology, Australia with a Bachelor in Business (Accounting) in 1989. He is a member of both the Institute of Certified Public Accountants of Singapore and Certified Practising Accountants, Australia.

Upon graduation, Mr. Loh joined Heng Lee Seng & Company on 28 December 1988 as an audit assistant and later joined KPMG Peat Marwick as a Graduate Assistant on 6 December 1989. He was subsequently promoted to audit senior on 1 July 1991. On 1 December 1992, he was appointed as the Accountant & Company Secretary for General Magnetics Limited, a former public listed company in Singapore. Within two years he was promoted to the Group Financial Controller. On 1 July 2007, Mr. Loh started his engagement with the JCS Group, a precision equipment manufacturer, as the JCS Group's Financial Controller. He was subsequently appointed on 1 November 2009 as MClean Singapore's Financial Controller and CFO.

Dato' Mark William Ling Lee Meng, Malaysian, aged 48
Independent Non-Executive Director

Dato' Mark was appointed to the Board on 16 June 2010. Dato' Mark was born in Sarawak, Malaysia to a family rooted in business and commerce. The Ling family founded Hock Hua Bank and Kong Ming Bank, being the predecessors to Malaysia's anchor banks of today, and have been extensively involved in timber concessions in Borneo as well as the Pacific islands, mining and property development in Australia and New Zealand.

Upon completing his high school education at The Southport School, Australia, Dato' Mark started his career in Kong Ming Bank Berhad (which had since been restructured to form part of the Eon Bank Group today) on 2 February 1984 as a Marketing Director where he was involved in project finance transactions in a number of industry sectors, including privatisation of public infrastructure, power and telecommunications. Dato' Mark left the banking industry as a Marketing Director on 24 February 1988. Since then, Dato' Mark has been focusing on the development of greenfield power projects in the Asia Pacific region.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Dato' Mark is highly experienced in regional business development and strategy. He was appointed as the Strategic Planning Advisor for Asia Pacific by Powergen International in 1996. Part of his role as the Advisor was to create proprietary deal flow to develop Powergen's power project portfolio in the Asia Pacific region. Dato' Mark led the execution of the acquisition of Malakoff Berhad, and was appointed as an Executive Director on 2 April 2001.

On 1 August 2001, Dato' Mark left Malakoff Berhad to set up a private equity firm specialising in the energy sectors. He has been involved with strategic investments focused primarily in the emerging economies in the Asia Pacific and Africa regions. His ventures include, *inter alia*, developing proprietary technology in oil and gas drilling, renewable energy power plant utilising biomass waste and currently, a steel manufacturing facility.

**Pang Kong Chek, Malaysian, aged 35
Independent Non-Executive Director**

Pang Kong Chek was appointed to the Board on 16 June 2010. Mr. Pang holds a Bachelor Degree in Business (Accountancy) from RMIT University, Australia. He is also a member of Certified Practising Accountants, Australia and the Malaysian Institute of Accountants.

Mr. Pang brings with him more than ten (10) years of experience in the field of corporate accounting, finance, banking and administration. He was an Accountant at KZen Solutions Berhad, an ACE Market-listed company, for five (5) years from 28 June 2004 to 15 May 2009. During his tenure with the company, he handled the initial public offering and financial management of the group.

Prior to his attachment with KZen Solutions Berhad, Mr Pang worked for a public accounting firm, Ernst & Young as a Senior Associate from 1 December 2000 and resigning as a Senior Associate on 18 June 2004 whereby he has worked with many clients from various industries such as banking, manufacturing, consultancy, property development, trading, construction, investment holding and information technology.

He was attached to Hewlett-Packard Malaysia as a Senior Financial Analyst supporting HP Enterprise Business Asia Pacific Finance from 18 May 2009 to 6 November 2010.

He is currently attached to a local private company as a Chief Financial Officer since 8 November 2010.

**Yeo Seow Lai, Singaporean, aged 53
Non-Independent Non-Executive Director**

Yeo Seow Lai was appointed to the Board on 16 June 2010. Ms. Yeo holds a Diploma in Life Insurance from the Singapore College of Insurance.

Ms. Yeo commenced her career with Great Eastern Life as a Career Agent on 14 May 1988 and was responsible for the financial planning for companies and individuals up to her resignation as a Career Agent on 30 July 1998. After leaving Great Eastern Life, she joined Tokio Marine Insurance Singapore Ltd. (now TM Asia Life) on 1 August 1998 as a Senior Financial Advisor, whereby she is now Financial Planning Consultant, whereby her role involves financial planning for companies and individuals as well as investment planning at individual and corporate level. Overall, Ms. Yeo has more than 20 years of experience in life insurance.

Currently, she is also a Director of JCS Auto following her appointment on 8 June 1990 and a sibling of Jason Yeo.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

None of our Directors represent any corporate shareholders as at the Latest Practicable Date.

9.2.3 Directors' Remuneration, Fee and Material Benefits-in-Kind

The aggregate remuneration, fee and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 31 December 2010 and proposed for the FYE 31 December 2011 are as follows:

Director	Compensation Band (Current Remuneration) 31 December 2010	Compensation Band (Proposed Remuneration) 31 December 2011
Jason Yeo <i>Executive Chairman</i>	RM700,000 to RM750,000	RM750,000 to RM800,000
Bert Chow <i>Executive Director and CEO</i>	RM650,000 to RM700,000	RM700,000 to RM750,000
Loh Weng Yew <i>Executive Director and CFO</i>	RM350,000 to RM400,000	RM350,000 to RM400,000
Dato' Mark William Ling Lee Meng <i>Independent Non-Executive Director</i>	-	RM50,000 to RM100,000
Pang Kong Chek <i>Independent Non-Executive Director</i>	-	Less than RM50,000
Yeo Seow Lai <i>Non-Independent Non-Executive Director</i>	-	Less than RM50,000

The above remunerations which comprise Directors' fees, any contingent or deferred compensation accrued for the year or to be paid at a later date, allowances as well as benefits in kind must be considered and recommended by the Nominating and Remuneration Committees and subsequently approved by our Board. Our Directors' fees must be further approved or endorsed by our shareholders at a general meeting.

9.2.4 Directors' Term of Office

Our Directors were appointed to the Board and have served in their respective capacity since their respective dates of appointment as set out under Section 9.2.2 of this Prospectus. The Board comprises three (3) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-independent Non-Executive Directors.

According to Article 70 of our Articles of Association on Directors appointment:-

"An election of Directors shall take place each year. At the first annual general meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3) then the number nearest one-third (1/3) shall retire from office, and an election of Directors shall take place every year PROVIDED ALWAYS that each Director shall retire once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not."

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.2.5 Involvement of Directors in Other Businesses or Corporations

Save as disclosed below, none of our Directors has any involvements in other businesses and corporations outside our Group as at the Latest Practicable Date:-

Name of Director	Name of Company	Date Appointed / (Resigned)	Shareholdings		No. of shares held	No. of shares held	Principal Activities
			Direct	Indirect			
Jason Yeo	JCS Auto	8 June 1990 (appointed Managing Director on 1 September 2002)	1,782,040	152,160 ⁽¹⁾	87.52	7.48	Designing, manufacturing and servicing of precision washing systems.
	Jiangyang JCS Automation Co., Ltd ("Jiangyang JCS")	14 October 1999	-	- ⁽²⁾	-	100.00	Designing, manufacturing and servicing of precision washing systems
	JCS Ultrasonic (Thailand) Co., Ltd.	19 January 2000	980,000	-	49.00	-	Provision of support services and sale of spare parts for the precision cleaning machines
	JCS Technologies Pte Ltd ("JCS Tech")	26 July 2000	90,000	-	90.00	-	Manufacture of electrical/ electronic engineering and scientific instruments
	JCS-Echigo	25 November 1999	1,400,000	-	70.00	-	Manufacture and trading of high precision components for washing machine
	JCS Vanilla Pte Ltd	7 June 2004	8,500	-	85.00	-	Manufacturing and trading of aeroplanes electronics parts and related products
	DST Coating Pte Ltd	30 August 2000	1,692,000	-	90.00	-	Surface treatment and electroplating systems for electronic and computer peripherals
	Bio-Ceir Solution Pte Ltd	24 April 2006	100	-	100.00	-	General wholesale trade (including general importers and exporters)

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name(s) of Director	Name of Company	Date Appointed/ (Resigned)	Shareholdings		Principal Activities			
			Direct	Indirect				
			No. of shares held	% held	No. of shares held	% held		
Jason Yeo (Cont'd)	SinCoat Pte Ltd	1 August 2006 / (22 October 2009)	100,000	6.09	-	-	Investment holding	
	E-Clean Resources & Technologies Pte Ltd (formerly known as Toyo Plas Resources Pte Ltd)	14 March 2000	300,000	100.00	-	-	Manufacture of dies, moulds, tools, jigs and fixtures	
	Fujitoyo Cleantech Pte Ltd	19 November 1996	2	66.66	-	-	Dormant. The Company was struck off as at 4 August 2010.	
	JGPL	8 February 2010	2	100.00	-	-	Investment holding	
	MD Helicopter Asia Pte Ltd	4 March 2010	1	25.00	-	-	Wholesale of aircraft equipment and supplies	
	JAX Motoring Enterprise	25 December 2007 (Sole proprietor)	-	100.00	-	-	Retail sale of motor vehicles except motorcycles and scooters	
	S-Clean (M) Sdn Bhd	16 October 1997 / (15 January 2007)	1	50.00	-	-	Dormant. The Company has been struck off as at 15 January 2007 pursuant to Section 308(1) of the Act	
	Pristine H2O Pte Ltd	8 January 2007 / (22 February 2010)	49,000	49.00	-	-	Supplier of water and water dispensers to home and offices	
	Bert Chow							

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name of Director	Name of Company	Date Appointed/ (Resigned)	Direct		Shareholdings		Principal Activities
			No. of shares held	% held	Indirect	No. of Shares held	
Dato' Mark William Ling Lee Meng Pang Kong Chek	Sereva Energy Sdn Bhd	8 April 2004	30,000	30.00	-	-	Renewable energy – Development of electricity from empty fruit bunch
	MWL Steel Products Sdn Bhd	18 February 1994	510,000	51.00	-	-	Roll-forming of steel sheets and trading of steel products
	Bumil International Corporation Sdn Bhd	2 September 1998	175,000	70.00	-	-	Management services
	Mini Energy Sdn Bhd	3 June 1989	99	99.00	-	-	Investment holding, management and consultancy services
	Bintulu Energy Sdn Bhd	15 January 1987	-	-	30 ⁽³⁾	30.00	Renewable energy - Development of electricity from empty fruit bunch
	Sara Biofuels Sdn Bhd	25 July 2006	99	99.00	-	-	Dormant
	Jepak Energy Sdn Bhd	1 April 2010	-	-	7,500 ⁽³⁾	30.00	Renewable energy – Development of electricity from empty fruit bunch
	EPA Solutions Sdn Bhd	10 September 2009 / (17 May 2010)	-	-	-	-	Trading of IT products

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name of Director	Name of Company	Date Appointed/ (Resigned)	Shareholdings		Principal Activities
			Direct No. of Shares held	Indirect No. of Shares held % held	
Yeo Seow Lai	JCS Auto	8 June 1990	152,160	1,782,040 ⁽⁴⁾	Designing, manufacturing and servicing of precision washing systems
	S-Clean (M) Sdn Bhd	16 October 1997 / (15 January 2007)	7.48	-	Dormant. The Company has been struck off as at 15 January 2007 pursuant to Section 308(1) of the Act
			50.00	-	

Notes:

- (1) Deemed interested by virtue of his siblings, Yeo Seow Lai, shareholdings in JCS Auto pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of his shareholdings in JCS Auto pursuant to Section 6A of the Act. The registered Capital of Jianyang JCS is RMB6,800,000 (equivalent to approximately RM3,166,760).
- (3) Deemed interested by virtue of his shareholdings in Serava Energy Sdn Bhd pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of her siblings, Jason Yeo, shareholdings in JCS Auto pursuant to Section 6A of the Act.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Although Jason Yeo is involved in numerous other businesses / corporations, it should be noted that his involvement with our Group has always been strategic in nature, which includes formulating and charting the overall strategic business plan and growth direction of our Group, business development as well as expanding and maintaining customer relationships. Additionally, to a lesser extent, he is also involved in the day-to-day operations of our Group. However, this day-to-day role in our Group is supplemented and supported by Bert Chow who acts as the operations director for the Group and is extensively and intimately involved in the day-to-day operations of our Group as the CEO. In turn, the Executive Directors are also supported by our Key Management team who is also experienced in our Group's business activities and have been involved in our Group for at least 3 years.

In particular, Jason Yeo also applies the same form of support team in his other active businesses whereby a capable senior executive is in-charge of their respective day-to-day operations, allowing Jason Yeo to continually maintain his strategic and business development role in those businesses. This structure has been a successful formula for him for the many years he has been in business.

As such, Jason Yeo's involvement with the abovementioned businesses / corporations is not expected to affect his contribution to our Group or negatively impact his ability to act as the Executive Chairman of our Group.

9.2.6 Service Contract with Directors

Save as disclosed below, none of our Directors or Directors of our subsidiary companies have any existing or proposed service agreements with our Company or our subsidiary companies.

- (i) Our Company had on 10 November 2010 entered into a director's service agreement with our Executive Chairman, Jason Yeo;
- (ii) Our Company had on 10 November 2010 entered into a director's service agreement with our Executive Director / CEO, Bert Chow; and
- (iii) Our Company had on 10 November 2010 entered into a director's service agreement with our Executive Director / CFO, Loh Weng Yew.

The director's service agreements set out, amongst others, the general terms of reference of the Directors, remuneration and other benefits attributable to the Directors.

In addition, both Jason Yeo and Bert Chow had also entered into a non-competition agreement with our Group dated 10 November 2010 whereby they are restricted from the following:-

- (i) Directly or indirectly carry out any business similar to our Group's businesses of precision cleaning and plastic injection moulding in our countries of operation commencing from the date of the agreements up to a period of 24 months after they cease to be a director or substantial shareholder of our Company ("Term");
- (ii) Solicit any customer of our Group for the precision cleaning and plastic injection moulding businesses;
- (iii) Accept from any customers of our Group for the precision cleaning and plastic injection moulding businesses;
- (iv) Induce or attempt to induce any employees of our Group to terminate their employment with our Group for the duration of the Term;

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (v) Use any trade or business name which is likely to be confused with the name of MClean and/or its subsidiaries; and
- (vi) Use any information to the detriment of our Group for the duration of the Term.

In addition to monetary compensation, our Group is entitled to seek injunction on Jason Yeo and/or Bert Chow should they failed to comply with the aforementioned non-competition agreement.

Furthermore, Jason Yeo and Bert Chow also agree to afford our Group the first right of refusal of any business and/or investment opportunities should such opportunities arise which are in competition with our business.

9.3 AUDIT, NOMINATION AND REMUNERATION COMMITTEES

9.3.1 Audit Committee

Our Audit Committee was established on 10 November 2010. Members of our Audit Committee as at the Latest Practicable Date are as follows:-

Name	Designation	Directorship
Dato' Mark William Ling Lee Meng	Chairman	Independent Non-executive Director
Pang Kong chek	Member	Independent Non-executive Director
Yeo Seow Lai	Member	Non-independent Non-executive Director

The major terms of reference for our Audit Committee include reviewing the financial statements of our Group before submission to our Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by our external auditors. In addition, our Audit Committee reviews and evaluates our Group's internal audit and control functions as well as recurrent related party transactions undertaken by our Group, further details of which are set out in Section 11.4 of this Prospectus. Our Audit Committee is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests.

Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties. In dispensing their judgment and actions, our Audit Committee has explicit right and at the expense of our Company to have unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of our Company and our Group.

Our Board shall review the term of office and performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.3.2 Nomination Committee

Our Nomination Committee was established on 10 November 2010. Members of our Nomination Committee as at the Latest Practicable Date are as follows:

Name	Designation	Directorship
Dato' Mark William Ling Lee Meng	Chairman	Independent Non-Executive Director
Pang Kong Chek	Member	Independent Non-Executive Director
Yeo Seow Lai	Member	Non-Independent Non-Executive Director

Our Nomination Committee is responsible for identifying and recommending new nominees to our Board as well as committees of our Board. Our Nomination Committee will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director on an annual basis.

In developing such recommendations, our Nomination Committee will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nomination Committee.

9.3.3 Remuneration Committee

Our Remuneration Committee was established on 10 November 2010. Members of our Remuneration Committee as at the Latest Practicable Date are as follows:

Name	Designation	Directorship
Dato' Mark William Ling Lee Meng	Chairman	Independent Non-Executive Director
Pang Kong Chek	Member	Independent Non-Executive Director
Jason Yeo	Member	Executive Chairman

Our Remuneration Committee reviews and proposes, subject to the approval of our Board, the remuneration policy and terms and conditions of service of each Director for his services as a member of our Board as well as Committees of our Board. Nevertheless, the remuneration of the non-executive Directors is a matter for our Board as a whole and our Directors are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group.

Decisions and recommendations of our Remuneration Committee shall be reported back to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.3.4 Articles governing our Directors

The relevant Articles of Association relating to remuneration, voting powers and borrowing powers of our Directors, as reproduced from our Articles of Associations, are as follows:

(I) Remuneration of Directors

Article 77

- (a) The Directors shall be paid by way of fees for their services, such fixed sums (if any) as shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provide) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that:-
- (i) fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover; and
- (ii) salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover of the Company.
- (b) The Directors may be entitled to be reimbursed all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meeting or otherwise howsoever incurred in the course of the performance of their duties as Directors.
- (c) Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is herein provided in this Article.
- (d) Any fee paid to an alternate Director shall be such as agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.
- (e) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Article 103(b)

The chairman of a board meeting shall not have a casting vote where:-

- (i) two (2) directors (one (1) of which is the chairman) form a quorum and only such a quorum is present at the meeting; or
- (ii) only two (2) directors (one (1) of which is the chairman) are competent to vote on the question at issue.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Article 109

A Managing Director shall, subject to the terms of any agreement entered into in any particular case, receive remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine but he shall not be entitled to be remunerated by way of a commission on or percentage of turnover of the Company.

(II) Voting and borrowing powers of Directors

Article 89

The Directors may from time to time at their discretion raise or borrow for the purpose of the Company such sums of moneys, as they think proper.

Article 90

The Directors may raise or secure the payment of money in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of debentures or debenture stock of the Company (both present and future) including uncalled capital, or by means of charges, mortgages, bonds and disposition in security or bonds of cash-credit, with or without power of sale, as the Directors shall think fit.

Article 91

The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as a security for any debt, liability or obligation of an unrelated third party unless it is permitted by the Listing Requirements.

Article 92

- (a) The Directors may borrow or raise any such money as aforesaid upon the issue or sale of any bonds, debentures, debenture stock, or securities, and upon such terms as to time of repayment, rate of interest, price of issue of sale, payment of premium or bonus upon redemption or repayment or otherwise as they may think proper. The Company may in general meetings grant a right for the holders of bonds, debentures, debenture stock or securities to exchange the same for shares in the Company or any authorised class of shares to be issued.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (b) Subject as aforesaid, the Directors may secure or provide for the payment of any money to be borrowed or raised by a mortgage or a charge upon all or any part of the undertaking or property of the Company both present and future and upon any capital remaining unpaid whether called up or not or by any other security and the Director may confer upon any mortgagees or persons in whom any debentures, debenture stock or security is vested such rights and powers as they think necessary or expedient; and the Directors may vest any property of the Company in trustees for the purpose of securing any moneys so borrowed or so raised and confer upon the trustees or any receiver to be appointed by them or by any debenture holder, such rights and powers as the Director may think necessary or expedient in relation to the undertaking or property of the Company, or the management or the realisation thereof, or the making, receiving or enforcing of calls upon the Members in respect of unpaid capital and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustee may be remunerated.
- (c) The Directors may give security for the payment of any money payable by the Company in like manner as for the payment of money borrowed or raised, but in such case the amount shall be reckoned as part of the money borrowed.

Article 99

A Director who is in any way, whether directly or indirectly interested in a contract, proposed contract or arrangement with the Company shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote and participate in any discussion in regard to any contract or arrangement in which he is interested (and if he shall do so his vote shall not be counted), but he shall be counted only to make the quorum at the meeting.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.4 KEY MANAGEMENT

9.4.1 Key Management's Shareholdings

The shareholdings of our Key Management before and after the IPO as at the Latest Practicable Date and after taking into account full exercise of the Warrants are as follows:-

Name	Nationality	As at the Latest Practicable Date		After the IPO		After the IPO and assuming full exercise of the Warrants	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
		No. of Shares	%	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾
Jason Yeo	Singaporean	27,487,000 ⁽²⁾	26.95	21,117,000	17.99	33,298,000	18.91
Bert Chow	Singaporean	10,919,999	10.71	8,919,999	7.60	12,879,998	7.31
Loh Weng Yew	Singaporean	550,000	0.54	550,000	0.47	550,000	0.31
Hee Suh Ling	Singaporean	400,000	0.39	400,000	0.34	400,000	0.23
Ng Kwang Eng	Singaporean	400,000	0.39	400,000	0.34	400,000	0.23
				39,748,004 ⁽¹⁾	33.86	39,748,004 ⁽¹⁾	33.86
						61,122,006 ⁽¹⁾	34.71

Notes:-

- (1) Deemed interested by virtue of his siblings, Yeo Seow Lai and Yeo Lian Cheng, shareholdings in MClaan and his shareholdings in JGPL pursuant to Section 6A of the Act.
(2) Immediately prior to the Public Issue and the Offer for Sale, Jason Yeo's shareholding shall be reduced to 26,717,000 Shares or approximately 26.19% of our Company's Shares-in-issue then by virtue of a partial settlement to KIBB for services rendered as Placement Agent in respect of the placement of his portion of the Offer Shares amounting to 770,000 Shares and 365,000 Warrants, further details as set out in Sections 3.11 (c) and 11.9(i) in this Prospectus.
(3) Based on the Shares-in-issue of 117,400,000 after the completion of the IPO.
(4) Based on the Shares-in-issue of 176,100,000 assuming the full exercise of the Warrants.

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9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The Warrant holdings of our Key Management in conjunction with the Public Issue are as follows:-

Name	After the IPO			
	Direct		Indirect	
	No. of Warrants	% ⁽²⁾	No. of Warrants	% ⁽²⁾
Jason Yeo	12,181,000	20.75	21,374,002 ⁽¹⁾	36.41
Bert Chow	3,959,999	6.75	-	-
Loh Weng Yew	-	-	-	-
Hee Suh Ling	-	-	-	-
Ng Kwang Eng	-	-	-	-

Notes:-

- (1) Deemed interested by virtue of his sibling's, Yeo Seow Lai, beneficial Warrant holdings upon issuance of the Warrants and his shareholdings in JGPL pursuant to Section 6A of the Act.
(2) Based on the total 58,700,000 Warrants to be issued in conjunction with the Public Issue.

9.4.2 Profiles

The profiles of our Key Management are as follows:-

(a) Key Management

Jason Yeo, Singaporean, aged 47
Executive Chairman

Please refer to Section 9.2.1 of this Prospectus.

Bert Chow, Singaporean, aged 50
Executive Director and CEO

Please refer to Section 9.1.2 of this Prospectus.

Loh Weng Yew, Singaporean, aged 46
Executive Director and CFO

Please refer to Section 9.2.1 of this Prospectus.

Hee Suh Ling, Singaporean, aged 35
Factory Manager, MClean Singapore

Suh Ling is our Senior Operations Manager for MClean Singapore. She graduated from the PTTMAN Examination Institute in Accounting in 1997, and earned a Certificate in Business Studies in Accounting Business Communication, Information Technology, Accounting, Audit and Costing in 1999.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Suh Ling started her career as a Purchaser and Sales Co-ordinator at Ugimagnetics Pte Ltd on 30 March 1995 until her resignation as a Sales Co-ordinator on 31 January 1997 and then Sales Executive at Magnetronics Pte Ltd on 1 July 1997 before joining Magnetronics Group on 1 October 2001 as Senior Executive. She was promoted to Factory Manager on 1 April 2010. Her key responsibility is to lead and manage Magnetronics Group's production activities. Her other responsibilities include production planning, purchasing control, sales and marketing activities and other project development activities and product life cycle management.

**Ng Kwang Eng, Singaporean, aged 41
Factory Manager and Director of Techsin Wuxi**

Ng Kwang Eng joined Techsin Wuxi on 2 January 2005 as General Manager and was appointed Director of Techsin Wuxi on 18 March 2010. His key responsibilities are to oversee the daily operations of Techsin Wuxi, and to drive the sales and marketing for Techsin Wuxi's business activities.

He started his career as a Sales Executive at Solid Resources Pte Ltd, a Malaysian branch of a Singapore trading company specialising in factory automation parts, conveyor systems, automatic gates and security systems on 3 June 1996. He was promoted to Assistant Branch Manager after just 6 months of service, and was tasked with the responsibility of selling up a new operation in Penang, Malaysia. Subsequently, Mr. Ng was again promoted to Sales Manager on 1 September 1997, then Deputy General Manager on 1 February 2000 up to his resignation on 30 June 2001. On 2 July 2001 he joined Moulding Industries Pte Ltd, a company principally involved in plastics, form-in-place gaskets and trading, with manufacturing facilities in Singapore, Malaysia and the PRC as well as a sales office in the USA, as a Business Development Manager and was mainly involved in sales, customer service and project management up to his resignation on 24 October 2003. He later joined Shanghai Besteam Transmission Control Equipment Co., Ltd. in the PRC, as Deputy General Manager on 3 November 2003 to provide support, guidance and training for its employees up to his resignation on 15 December 2004.

9.4.3 Service Contract with Key Management

Save for Jason Yeo, Bert Chow and Loh Weng Yew, none of our Key Management has any existing or proposed service agreement with our Company or our subsidiary companies as at the Latest Practicable Date. Details of the Service Contract are set out in Section 9.2.6 of this Prospectus.

9.4.4 Involvement of Key Management in Other Businesses or Corporations

Save for Jason Yeo's involvement in other businesses or corporations are set out in Section 9.2.5 of this Prospectus, none of our Key Management are involved in an executive position in other businesses or corporations as at the Latest Practicable Date.

9. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

9.5 DECLARATIONS BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Substantial Shareholders, Directors and Key Management are or have been involved in any of the following events (whether in or outside Malaysia):-

- (i) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) Such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the managing of any corporation;
- (iii) Such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) Any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) Such person was the subject of any order, judgment or ruling of any court of a competent jurisdiction, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

9.6 RELATIONSHIPS AND ASSOCIATIONS

Save for our Non-Independent Non-Executive Director, Yeo Seow Lai being the sister of our Executive Chairman, Jason Yeo, there are no family relationships (as defined under Section 122A of the Act) or associations amongst our Promoters, Substantial Shareholders, Directors and Key Management.

9.7 BENEFITS PAID OR INTENDED TO BE PAID OR GIVEN TO ANY PROMOTER, DIRECTOR, OR SUBSTANTIAL SHAREHOLDER

Save as described in Section 9.2.3 of this Prospectus, there is no other amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders, within the two (2) years preceding the date of this Prospectus.

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10. APPROVALS AND CONDITIONS

10.1 CONDITIONS ON APPROVALS

Bursa Securities had vide its letter dated 10 March 2011 resolved to approve the following applications, under the "Trading/Services" sector of the ACE Market of Bursa Securities:-

- (i) admission to the Official List and the listing and quotation of the entire issued and paid-up share capital of MClean of 117,400,000 Shares on the ACE Market of Bursa Securities;
- (ii) admission to the Official List and the listing and quotation of 58,700,000 Warrants; and
- (iii) the listing of and quotation for up to 58,700,000 new Shares pursuant to the exercise of the Warrants.

In addition, an extension of time from the date of listing to the next general meeting has been granted, to obtain shareholders' ratification and shareholders' mandate for recurrent related party transaction(s) ("RRPT") entered /to be entered into by MClean, subject to compliance with the disclosure obligations in relation to RRPTs as set out in Rule 10.09(1) of the Listing Requirements. Please refer to Section 11.4 of this Prospectus for further details of the RRPTs.

Bursa Securities has resolved to approve our application for a variation to Rule 3.19(1) of the Listing Requirements, subject to the following conditions:-

- (i) The moratorium requirement under Rule 3.19(1)(a) of Listing Requirements is applicable to the entire Shares and Warrants held by the Promoters for a period of 6 months from the date of listing of MClean;
- (ii) Upon the expiry of the 6-month period stated above, MClean must ensure that the Promoters' aggregate Shares and Warrants held amounting to at least 45% of the enlarged issued and paid-up ordinary share capital of MClean assuming full conversion or exercise of Warrants owned by the Promoters remain under moratorium, for another period of 6 months; and
- (iii) The Promoters to provide Bursa Securities with undertaking letters they will comply with the above moratorium.

The Promoters had vide their respective letters dated 8 April 2011 provided their respective undertaking letters to Bursa Securities in respect of the compliance with the above moratorium. Please refer to Section 10.2 below for further details of the moratorium requirements.

Pursuant to Paragraph 6.4 of Guidance Note ("GN")18 of the Listing Requirements, whereby the Sponsor must ensure that all trade debts exceeding the normal credit period and all non-trade debts, owing by the interested persons to the Applicant or its subsidiary company(ies), are fully settled before the Applicant's listing on the Official List.

Included in our Group's consolidated financial statements are certain amount owing by related parties (being JCS-Echigo and JCS Tech), for deposits paid by MClean Singapore for the purchase of plant and machinery which are non-refundable in nature. These deposits, which amount to SGD138,800 (or approximately RM332,829) as at the Latest Practicable Date, would be resolved by completing the purchase of the plant and machinery.

As such, KIBB, on our behalf, had vide the listing application dated 15 November 2010 sought a waiver from Bursa Securities to comply with the aforementioned requirement.