

Unaudited financial results of MClean and its subsidiaries (the “Group”) for period ended 30 June 2012.

Explanatory notes to the quarterly report and for the financial period ended 30 June 2012

1. Basis of preparation and Changes in Accounting Policies

1.1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysia Financial Reporting Standards 134 (MFRS134): “Interim Financial Reporting” and Rule 9.22 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS34, Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. The explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

These are the Group’s condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statements and MFRS1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

1.2 Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011.

The followings MFRS, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosures of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012

Amendments to Offsetting Financial Assets and Financial MFRS 132 Liabilities	1 January 2014
IC Interpretation Stripping Costs in the Production Phase of a 20 Surface Mine	1 January 2013

2. Audit Report of the Preceding Audited Financial Statements

The auditors have expressed an unqualified opinion on the Company’s statutory consolidated financial statements for the financial year ended 31 December 2011 in their report dated 25 April 2012.

3. Seasonal or Cyclical Factors

Our Group’s revenue is not significantly affected by the seasonal or cyclical factors for the quarter under review. Demand usually increases during the second half of the year.

4. Unusual Items

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

5. Material Changes in Estimates

There were no changes in estimate of amounts reported that has a material impact in the current financial quarter under review.

6. Changes in Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs and share cancellation, for the current financial quarter under review.

7. Dividend Paid

There were no dividends paid during the quarter under review.

8. Segmental Reporting

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

Geographical information		
Revenue information based on the geographical location of customers are as follows:-		
Location	6 Months Ended 30.06.2012	6 Months Ended 30.06.2011
	RM’000	RM’000
People’s Republic of China	4,193	2,505
Malaysia	1,831	3,465
Singapore	13,460	10,647
Others	956	854
	20,440	17,471

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

Operating Segment				
(i) Business segment				
Current quarter ended 30.06.2012	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:-				
External customers	853	9,648	-	10,501
Inter segment	-	3,124	(3,124)	-
Total revenue	853	12,772	(3,124)	10,501
Results:-				
Segment results	(14)	2,357	-	2,343
Unallocated amounts:				
Other income				263
Other corporate expenses				(2,596)
Profit before tax				10

Operating Segment				
(i) Business segment				
Previous corresponding quarter ended 30.06.2011	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:-				
External customers	1,007	8,395	-	9,402
Inter segment	-	2,311	(2,311)	-
Total revenue	1,007	10,706	(2,311)	9,402
Results:-				
Segment results	244	3,375	-	3,619
Unallocated amounts:				
Other income				168
Other corporate expenses				(3,610)
Profit before tax				177

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

Operating Segment				
(i) Business segment				
Cumulative quarter ended 30.06.2012	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:-				
External customers	1,732	18,708	-	20,440
Inter segment	-	4,235	(4,235)	-
Total revenue	1,732	22,943	(4,235)	20,440
Results:-				
Segment results	(73)	5,114	-	5,041
Unallocated amounts:				
Other income				329
Other corporate expenses				(5,002)
Profit before tax				345

Operating Segment				
(i) Business segment				
Cumulative quarter ended 30.06.2011	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:-				
External customers	1,727	15,744	-	17,471
Inter segment	-	4,190	(4,190)	-
Total revenue	1,727	19,934	(4,190)	17,471
Results:-				
Segment results	316	6,061	-	6,377
Unallocated amounts:				
Other income				365
Other corporate expenses				(6,761)
Loss before tax				(19)

It was not practicable to separate out the segment assets and liabilities for its business segments as the assets and liabilities were jointly used by two business segments.

9. Valuation of Property, Plant and Equipment

The Group does not own any properties or real estate. As at 30 June 2012, all the Group's plant and equipment were stated at cost less accumulated depreciation.

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

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

11. Changes in the Composition of the Group

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

12. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

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

(b) Contingent assets

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

13. Capital Commitment

Capital commitments as at 30 June 2012 are as follows:

Capital expenditure:	RM'000
Contracted but not provided for in the financial results	110

14. Review of Performance

Comparison between Current Financial Quarter Ended 30 June 2012 and Previous Corresponding Quarter Ended 30 June 2011

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

	3 Months Ended					
	30.06.2012			30.06.2011		
	Plastic Injection Moulding	Precision Cleaning	Total	Plastic Injection Moulding	Precision Cleaning	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	853	9,648	10,501	1,007	8,395	9,402
Gross (loss)/profit	(14)	2,357	2,343	244	3,375	3,619
Profit before tax			10			177

Plastic Injection Moulding Division

Revenue from plastic injection moulding was approximately 15% lower than previous corresponding quarter due lower orders for the Group’s mould manufacturing. The Group’s plastic injection moulding division comprises plastic injection moulding, which is revenue recurring in nature and mould manufacturing, which is non-revenue recurring in nature.

The plastic injection moulding division incurred a gross loss of RM14,000 for the current quarter as compared with a gross profit in the previous corresponding quarter of RM244,000 mainly due to increase in direct labour costs by RM130,000 and factory overhead expenses comprising utilities costs, repair and maintenance costs, and rental of premises of RM88,000.

Precision Cleaning Division

Revenue from precision cleaning was approximately 15% higher than preceding year corresponding quarter due to net increase in orders from the Group’s customers.

The gross profit margin (“**GP margin**”) for the precision cleaning division however decreases from approximately 40% to 24%, due primarily to the following:-

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

- (a) A change in terms of trade whereby MClean Singapore now bears the ocean freight charges of approximately RM490,000 for shipment of cassettes from China to Singapore as its inward freight costs (as Cost of Sales) instead of Techsin Wuxi bearing the ocean freight charges as its Distribution Costs (under Selling & Distribution expenses in the income statement).
- (b) Increase in operational expenses incurred by Techsin Wuxi, a wholly-owned subsidiary of MClean upon commencement of the operation of its 2nd Plant in July 2011 comprising of the followings:-
- Increase in factory overhead expenses comprising of utilities, rental of premises, depreciation of plant and equipment and factory consumables of RM 430,000
 - Amortization of development costs capitalised as part of the relocation of previous operations to the 2nd plant amounting to RM74,000; and
 - Increase in labour costs as a result of increase in headcount and salary increase

Administrative expenses incurred during the current quarter of RM2.40 million is approximately 19% higher as compared to the previous quarter of RM2.01 million mainly due to expenses incurred by the ultimate holding company for Directors’ and professional fees upon listing of the Company on the ACE Market of Bursa Securities since 10 May 2011.

Overall, the Group reported a profit before tax of RM10,000 as compared with a profit before tax of RM177,000 in the previous year corresponding quarter.

Comparison between Current Financial Year-to-date Ended 30 June 2012 and Previous Corresponding Financial Year-to-date Ended 30 June 2011

	6 Months Ended					
	30.06.2012			30.06.2011		
	Plastic Injection Moulding	Precision Cleaning	Total	Plastic Injection Moulding	Precision Cleaning	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue	1,732	18,708	20,440	1,727	15,744	17,471
Gross (loss)/profit	(73)	5,114	5,041	316	6,061	6,377
Profit/(loss) before tax			345			(19)

Plastic Injection Moulding Division

Revenue from plastic injection moulding remained constant as compared with previous corresponding financial year-to-date.

However, the plastic injection moulding division incurred a gross loss of RM73,000 for the current financial year-to-date as compared with a gross profit in the previous corresponding financial year-to-date of RM316,000 mainly due to increase in labour costs by RM242,000 and factory overhead expenses comprising utilities costs and rental of premises of RM139,000.

Precision Cleaning Division

Revenue from precision cleaning was approximately 19% higher than previous corresponding financial year-to-date.

The gross profit margin (“**GP margin**”) for the precision cleaning division however decreases from approximately 38% to 27%, due primarily to the following:-

- (a) A change in terms of trade whereby MClean Singapore now bears the ocean freight charges of approximately RM806,000 for shipment of cassettes from China to Singapore as its inward freight costs (as Cost of Sales) instead of Techsin Wuxi bearing the ocean freight charges as its Distribution Costs (under Selling & Distribution expenses in the income statement).
- (b) Increase in operational expenses incurred by Techsin Wuxi, a wholly-owned subsidiary of MClean upon commencement of the operation of its 2nd Plant in July 2011 comprising of the followings:-
- Increase in factory overhead expenses comprising of utilities, rental of premises, depreciation of plant and equipment and factory consumables by an average of 53%.
 - Amortization of development costs capitalised as part of the relocation of previous operations to the 2nd plant amounting to RM146,000; and
 - Increase in labour costs as a result of increase in headcount and salary increase

Administrative expenses incurred during the current financial year-to-date of RM4.65 million is approximately 10% higher as compared to the previous financial year-to-date of RM4.23 million mainly due to expenses incurred by the ultimate holding company for Directors’ and professional fees upon listing of the Company on the ACE Market of Bursa Securities since 10 May 2011.

Overall, the Group reported a profit before tax of RM345,000 as compared with a loss before tax of RM19,000 in the preceding year corresponding financial year to-date.

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

	3 Months Ended					
	30.06.2012			31.03.2012		
	Plastic Injection Moulding	Precision Cleaning	Total	Plastic Injection Moulding	Precision Cleaning	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue	853	9,648	10,501	879	9,060	9,939
Gross (loss) / profit	(14)	2,357	2,343	(59)	2,757	2,698
Profit/(loss)/ before tax			10			335

Plastic Injection Moulding Division

Revenue from plastic injection moulding remained constant as compared with the immediate preceding quarter. However, gross loss decreased as there were less production trial run tests and costs in the current quarter as compared to the immediate preceding quarter.

Precision Cleaning Division

The Group’s revenue from Precision Cleaning increased by 6% or approximately RM588,000 in the current financial quarter as compared to the immediate preceding quarter.

The Group’s GP margin for precision cleaning has also decreased from 30% to 24%, due primarily to:

- a) an increase of RM 174,000 freight charges that Mclean bears as inward freight as more cassettes are being shipped in the current quarter and
- b) a decline in the higher margin Cleanroom assembly services sales in the current quarter as compare with the immediate preceding quarter

Taking into account the abovementioned, the Group incurred a profit before tax of approximately RM10,000, as compared to a profit before tax of approximately RM335,000 in the immediate preceding quarter.

16. Future Prospects

The slow growth in the United States, the slowing economy of China and the ongoing probable recession of Europe contribute to the weakness in the PC market which is the main reason behind the wariness of the hard disk drive sector for the remainder of 2012 and possibly into early 2013. Technology research firm Gartner has cut its global PC shipment forecast to 363 million units this year compare to 365 million units shipped in 2011. The next few quarters will be a challenge for the company and every measure are being taken to reduce our operational cost in view of the lower volume.

In the meantime, the Group has embarked to explore related and/or other business opportunities to complement its current core business. This will help mitigate its sole reliant on the HDD industry for its business and growth in the future.

17. Variance of Profit Forecast and Shortfall in Profit Guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter .

18. Tax Expense

The tax expense for the financial quarter and the year-to-date ended 30 June 2012 is as follows:

	Current Quarter Ended 30.06.2012 RM'000	Current financial year- to-date ended RM'000
Estimated current tax expense	10	40
Under provision of tax in prior year	-	
Utilization of deferred tax assets on temporary differences not recognized in previous year	(34)	(34)
	<u>(24)</u>	<u>6</u>

The Group’s average effective tax rate for the current financial year to date ended 30 June 2012 of approximately 1.73% was lower than the statutory tax rate of 25% in Malaysia and 17% in Singapore mainly due to the additional tax deductions allowed under the Productivity & Innovation Scheme in Singapore.

19. (i) Status of Corporate Proposals

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

(ii) Status of Utilisation of Proceeds

The status of utilization of proceeds raised from the Company’s initial public offering in 2011 (“**IPO**”) as at 30 June 2012 is set out as follows:-

Description	Proposed Utilisation RM'000	Utilised RM'000	Balance Unutilised //(Overutilised) RM'000	Intended Timeframe for utilisation	Deviation	Explanation
Capital expenditure	2,400	2,036	364	Within 2 years from the date of listing	-	N/a
Working capital	3,265	3,012	253	Within 2 years from the date of listing	-	N/a
Estimated listing expenses	2,343	2,960	(617)	Within 2 months from the date of listing	-	The deficit will be funded out of the portion allocated for working capital pursuant to the Company’s prospectus dated 21 April 2011
Total	8,008	8,008	-		-	

20. Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 June 2012.

21. Realised and Unrealised Retained Profits

	Cumulative year to date ended 30/06/2012 RM'000	Cumulative year to date ended 31/12/2011 RM'000
Total retained profits of the Group:		
- Realised	6,373	5,581
- Unrealised	10	503
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	6,383	6,084
Consolidated adjustments	2,296	2,256
	<hr/>	<hr/>
Total Group retained profits	8,679	8,340

22. Off Balance Sheet Financial Instruments

As at 30 June 2012, the Group is a party to a foreign currency forward contract of USD300,000 at a rate of SGD1.2726. Had the contract been settled at the financial position date, the effect on the exchange exposure is an decrease in the profit of RM 2,000.

23. Material Litigation

There was no pending material litigation from 1 January 2012 up to the date of this quarterly announcement.

24. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 30 June 2012.

25. Earnings Per Share (“EPS”)

Basic

The calculation of the basic EPS is based on the net profit divided by the weighted average number of ordinary shares of RM0.25 each in issue.

	2 nd Quarter Ended		Cumulative Quarter Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Net profit for the period attributable to owners of the parent (RM'000)	34	203	339	7
Weighted average number of ordinary shares in issue ('000)	117,400	106,424	117,400	106,424
Basic EPS (sen)	0.03	0.19	0.29	<i>Insignificant</i>

Diluted

The calculation of the diluted EPS is based on the net profit divided by the weighted average number of ordinary shares after adjustments for the effects of all dilutive potential ordinary shares of RM0.25 each arising from the exercise of 58,700,000 Warrants-in-issue .

	2 nd Quarter Ended		Cumulative Quarter Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Weighted average number of ordinary shares in issue ('000)	176,100	159,636	176,100	159,636
Diluted EPS (sen)	0.02	0.13	0.19	<i>Insignificant</i>

26. Notes to the Condensed Consolidated Statement o Comprehensive Income

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

	Current Quarter Ended 30 June 2012 RM'000	Year-to-date Ended 30 June 2012 RM'000
(a) Interest income	(4)	(14)
(b) Other income including investment income	(173)	(292)
(c) Interest expenses	-	-
(d) Depreciation and amortization	773	1,492
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted or unquoted investment or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange (gain) or loss	(86)	(22)
(j) Gain or loss on derivatives	-	-
(k) Exceptional item	-	-