Unaudited financial results of MClean and its subsidiaries (the "Group") for period ended 31 December 2012.

Explanatory notes to the quarterly report and for the financial period ended 31 December 2012

1. Basis of preparation and Changes in Accounting Policies

1.1 Basis of preparation

The interim financial statements is unaudited and have been prepared in compliance with Malaysia Financial Reporting Standards (MFRS) 134 - Interim Financial Reporting, issued by the Malaysian Accounting Standard Board ("MASB") and Part A of Appendix 9B of the Listing Requirements of Bursa Securities Berhad ("BMSB)

The same accounting policies and methods of computation are allowed in the quarterly financial statements as compared with annual financial statements of the Group for the year ended 31 December 2011.

Apart from the above, the quarterly financial statements are to be read in conjunction with Annual Financial Statements for the year ended 31 December 2011.

1.2 Significant Accounting Policies

1.2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the Companies Act 1965 in Malaysia and with International Financial Reporting Standards ("IFRS").

1.2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

1.2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia (RM) which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

1.2.4 First-time adoption of MFRSs

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

There is no financial impacts on the financial statements of the Group and of the Company upon transition to MFRSs.

1.2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the MASB but are not yet effective, and have not been adopted by the Group and by the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group and the Company's financial statements.

MFRS 9 Financial Instruments

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 9.

Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced the disclosures about fair value measurements. The enhanced disclosure requirements are similar to those in MFRS 7 Financial Instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

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.

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

The 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:-		
	12 Months Ended	**12 Months Ended**
Location	**31.12.2012**	**31.12.2011**
	RM'000	**RM'000**
People's Republic of China	7,304	6,754
Malaysia	4,417	6,854
Singapore	23,797	20,683
Others	2,946	2,111
	38,464	**36,402**

Current quarter ended 31.12.2012	**Plastic Injection Moulding**	**Precision Cleaning**	**Elimination**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue:-				
External customers	912	9,182	-	10,094
Inter segment	-	2,137	(2,137)	-
Total revenue	**912**	**11,319**	**(2,137)**	**10,094**
Results:-				
Segment results	(56)	1,539	-	1,483
Unallocated amounts:				
Other income				50
Other corporate expenses				(2,498)
Loss before tax				**(965)**

Operating Segment				
(i) Business segment				
Previous corresponding quarter ended 31.12.2011	**Plastic Injection Moulding**	**Precision Cleaning**	**Elimination**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue:-				
External customers	1,221	7,229	-	8,450
Inter segment	-	985	(985)	-
Total revenue	**1,221**	**8,214**	**(985)**	**8,450**

Results:-				
Segment results	(43)	646	-	603
Unallocated amounts:				
Other income				193
Other corporate expenses				(2,471)
Profit before tax				**(1,675)**

Cumulative quarter ended 31.12.2012	**Plastic Injection Moulding**	**Precision Cleaning**	**Elimination**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue:-				
External customers	3,307	35,157	-	38,464
Inter segment	-	8,095	(8,095)	-
Total revenue	**3,307**	**43,252**	**(8,095)**	**38,464**
Results:-				
Segment results	(192)	7,474	-	7,282
Unallocated amounts:				
Other income				440
Other corporate expenses				(10,208)
Loss before tax				**(2,486)**

Operating Segment				
(i) Business segment				
Cumulative quarter ended 31.12.2011	**Plastic Injection Moulding**	**Precision Cleaning**	**Elimination**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue:-				
External customers	4,601	31,801	-	36,402
Inter segment	-	6,788	(6,788)	-
Total revenue	**4,601**	**38,589**	**(6,788)**	**36,402**
Results:-				
Segment results	568	9,074	-	9,642
Unallocated amounts:				
Other income				1,212
Other corporate expenses				(12,065)
Loss before tax				**(1,211)**

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 both business segments.

9. Valuation of Property, Plant and Equipment

The Group does not own any properties or real estate. As at 31 December 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 expenditure:	**RM'000**
Contracted but not provided for in the financial results	110

14. Review of Performance

<u>Comparison between Current Financial Quarter Ended 31 December 2012 and Previous Corresponding Quarter Ended 31 Decemeber 2011</u>

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

	3 Months Ended					
	31.12.2012			**31.12.2011**		
	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	912	9,182	10,094	1,221	7,229	8,450
Gross (loss)/profit	(56)	1,539	1,483	(43)	646	603
Loss before tax			(965)			(1,675)

<u>Plastic Injection Moulding Division</u>

Revenue from plastic injection moulding was approximately 25% lower than previous corresponding quarter due to the reduction in sales to our customer, who was affected by the weak economic condition in Europe.

The plastic injection moulding division incurred a gross loss of RM56,000 for the current quarter as compared with a gross loss in the previous corresponding quarter of RM43,000 mainly due to reduction in revenue and higher fixed operating costs such as rent and depreciation expenses.

<u>Precision Cleaning Division</u>

Revenue from precision cleaning was approximately 27% higher than preceding year corresponding quarter mainly due to the increase in sales as the HDD supply chain of HDD manufacturers is recovering from the disruption due to the flood in Thailand as compared to the previous corresponding quarter.

The gross profit margin ("**GP margin**") for the precision cleaning division increases from approximately 9% to 17%, due primarily to the following:-

(a) increase in higher margin cleanroom assembly services;

(b) the effect of increase in revenue over fixed factory overheads such as rent, depreciation and amortisation expenses;

Other Income was RM 50,000 as compared with RM 193,000 in the preceding year corresponding quarter mainly due to a reduction in rental income of RM 133,000,000 from the non-renewal of lease by a tenant.

Overall, the Group reported a loss before tax of RM 965,000 as compared with a loss before tax of RM1,675,000 in the previous year corresponding quarter due to the above.

Comparison between Current Financial Year-to-date Ended 31 December 2012 and Previous Corresponding Financial Year-to-date Ended 31 December 2011

	12 Months Ended					
	31.12.2012			31.12.2011		
	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	3,307	35,157	38,464	4,601	31,801	36,402
Gross (loss)/profit	(192)	7,474	7,282	568	9,074	9,642
Loss before tax			(2,486)			(1,211)

Plastic Injection Moulding Division

Revenue from plastic injection moulding was approximately 28% lower than previous corresponding financial year-to-date due to significantly 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 RM192,000 for the current financial year-to-date as compared with a gross profit in the previous corresponding financial year-to-date of RM568,000 mainly due to the loss of contribution from mould sales and the effect of reduced revenue over fixed factory overheads such as rent and depreciation expenses.

Precision Cleaning Division

Revenue from precision cleaning was approximately 11% higher than previous corresponding financial year-to-date.

The gross profit margin ("**GP margin**") for the precision cleaning division however decreases from approximately 29% to 21%, due primarily to the following a change in terms of trade whereby MClean Singapore now bears the ocean freight charges of approximately RM 1,133,717 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).

Other income was lower at RM440,000 as compared with RM 1,212,000 in the previous year mainly due to:

a) in the current year we incurred a foreign exchange loss of RM298,000 as compared with a foreign exchange gain of RM 200,000 in the previous year; and
b) a reduction in rental income of RM 297,000 from non-renewal of lease by a tenant.
c) reduction in interest income from RM 67,000 in the previous year as compared to RM 21,000 in the current financial year

The Administrative expenses increase by RM594,000 or approximately 7% from RM 8,627,000 in financial year 2011 to RM 9,221,000 in financial year 2012. The increase is mainly due to increase in professional fees and reclassification of certain recurring listing expenses (professional fees) into administrative expenses .

Overall, the Group reported a loss before tax of RM 2,486,000 as compared with a loss before tax of RM 1,211,000 in the preceding year corresponding financial year to-date as explained above.

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

	3 Months Ended					
	31.12.2012			**30.09.2012**		
	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	912	9,182	10,094	663	7,267	7,930
Gross (loss) / profit	(56)	1,539	1,483	(63)	821	758
Loss before tax			(965)			(1,866)

Plastic Injection Moulding Division

Revenue from plastic injection moulding was approximately 38% higher than immediate preceding quarter. This was primarily due to increase in mould manufacturing sales. The plastic injection moulding division incurred a gross loss of RM56,000 for the current financial quarter as compared with a gross loss of RM 63,000 in the immediate preceding quarter.

Precision Cleaning Division

The Group's revenue from Precision Cleaning has increased by 21% in the current financial quarter as compared to the immediate preceding quarter.

The gross profit margin ("**GP margin**") for the precision cleaning division increases from approximately 11% to 17%, primarily due to the effect of increase in revenue over fixed factory overheads such as rent, depreciation and amortisation expenses;

Taking into account the abovementioned, the Group incurred a loss before tax of approximately RM965,000 as compared to a loss before tax of approximately RM 1,866,000 in the immediate preceding quarter.

16. Future Prospects

As reported by independent market research Techno Systems Research Co. Ltd., from Japan, dated 1st November 2012, Hard Disk Drive shipment for 2013 are expected to remain flat as compare to 2012 with a slight increase in volume during the last 2 quarters of the year. 600 million units of HDD is expected to be shipped in 2013.

Recent industry consolidation with just three manufacturers supplying the world's total HDD demand lead to a more rational pricing environment. This may benefit all the HDD suppliers as they will also face lesser price reduction pressure from the HDD manufacturers.

The Group has been exploring related and/or other business opportunities over the last one year. For example, the Group has expanded into clean-room assembly services in 2012, which has started to contribute to the Group's revenue in 2012 and is expected to grow further in 2013.

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 31 December 2012 is as follows:

	Current Quarter Ended 31.12.2012	**Current Financial Year-to-date Ended 31.12.2012**
	RM'000	**RM'000**
Reversal current tax expenses	(44)	-
Over provision of tax in prior year	(37)	(37)
Utilization of deferred tax assets on temporary differences not recognized in previous year	(15)	(49)
	(96)	(86)

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 31 December 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 31 December 2012.

21. Realised and Unrealised Retained Profits

	Cumulative year to date ended 30/09/2012 RM'000	**Cumulative year to date ended 31/12/2011 RM'000**
Total retained profits of the Group:		
- Realised	3,851	5,581
- Unrealised	(207)	503
	3,644	6,084
Consolidated adjustments	2,296	2,256
Total Group retained profits	**5,940**	**8,340**

22. Off Balance Sheet Financial Instruments

As at 31 December 2012, the Group is a party to a foreign currency forward contract of USD300,000 at a rate of SGD1.2225. Had the contract been settled at the financial position date, the effect on the exchange exposure is a decrease in the profit of RM 1,800.

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 31 December 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.

	4th Quarter Ended		Cumulative Quarter Ended	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
Net loss for the period attributable to owners of the parent (RM'000)	(869)	(1,729)	(2,400)	(1,415)
Weighted average number of ordinary shares in issue ('000)	117,400	111,957	117,400	111,957
Basic EPS (sen)	(0.74)	(1.54)	(2.04)	(1.26)

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 .

	4th Quarter Ended		Cumulative Quarter Ended	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
Weighted average number of ordinary shares in issue ('000)	176,100	167,936	176,100	167,936
Diluted EPS (sen)	Not applicable(1)	Not applicable(1)	Not applicable(1)	Not applicable(1)

(1) Not applicable as, due to the losses, there is an anti-dilutive effect from the assumed exercise of the Warrants-in-issue.

26. Notes to the Condensed Consolidated Statement o Comprehensive Income

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

	Current Quarter Ended 31 December 2012	Year-to-date Ended 31 December 2012
	RM'000	**RM'000**
(a) Interest income	(4)	(21)
(b) Other income including investment income	(46)	(419)
(c) Interest expenses	-	-
(d) Depreciation and amortization	726	3,183
(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	197	298
(j) Gain or loss on derivatives	-	-
(k) Exceptional item	-	-