

Unaudited financial results of MClean and its subsidiaries (the “Group”) for period ended 31 March 2013.

Explanatory notes to the quarterly report and for the financial period ended 31 March 2013

1. Basis of preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Statements also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The condensed consolidated interim financial statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

2. Significant Accounting Policies

Significant accounting policies and methods of computation adopted for the condensed interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the adoption of the following new/ revised MFRS below.

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation

On 1 January 2013, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2013:

MFRS 10: Consolidated Financial Statement

MFRS 11: Joint Arrangements

MFRS 12: Disclosure of Interest in Other Entities

MFRS 13: Fair Value Measurement

MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)

MFRS 128: Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

Amendment to MFRS 1: First-time adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance

Amendments to MFRS 11: Joint Arrangement: Transition Guidance

Amendments to MFRS 12: Disclosure of Interest in Other Entities: Transition Guidance

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 132: Financial Instruments: Presentations (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

The adoption of the above standards and amendments are not expected to have any impact on the financial statements of the Group.

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 Presentation of Items of Other Comprehensive Income changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) are presented separately from items which will never be reclassified to profit or loss (for example, actuarial gains and losses on defined benefit plans).

The adoption of Amendments MFRS 101 has no financial impact on the Group’s financial statements.

2.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

The following MFRSs, Amendments to MFRSs and IC Interpretation issued by the MASB are relevant to the Group, however, they have not been early adopted in this set of financial statements.

Amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities

Amendments to MFRS 12: Disclosure of Interest in Other Entities: Investment Entities

Amendments to MFRS 127: Separate Financial Statements: Investment Entities

Amendments to MFRS 132: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

MFRS and Amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)

The Directors anticipate that the adoption of above new/revised MFRS, amendments to MFRS and IC Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3. 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 2012 in their report dated 26 April 2013.

4. 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.

5. 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.

6. 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.

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

7. 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.

8. Dividend Paid

There were no dividends paid during the quarter under review.

9. 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	<u>3 Months Ended</u> 31.03.2013	<u>3 Months Ended</u> 31.03.2012
	RM'000	RM'000
People's Republic of China	1,349	2,122
Malaysia	1,235	1,181
Singapore	6,778	6,100
Others	984	536
	10,346	9,939

Current quarter ended 31.03.2013	Technical Assembly Services	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:-				
External customers	1,591	8,755	-	10,346
Inter segment	-	1,787	(1,787)	-
Total revenue	1,591	10,542	(1,787)	10,346
Results:-				
Segment results	192	1,117	-	1,309
Unallocated amounts:				
Other income				40
Other corporate expenses				(2,359)
Loss before tax				(1,010)

Operating Segment				
(i) Business segment				
Previous corresponding quarter ended 31.03.2012	Technical Assembly Services	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:-				
External customers	-	9,939	-	9,939
Inter segment	-	1,111	(1,111)	-
Total revenue	-	11,050	(1,111)	9,939
Results:-				
Segment results	-	2,698	-	2,698
Unallocated amounts:				
Other income				129
Other corporate expenses				(2,492)
Profit before tax				335

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.

10. Valuation of Property, Plant and Equipment

The Group does not own any properties or real estate. As at 31 March 2013, all the Group's plant and equipment were stated at cost less accumulated depreciation.

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

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

12. Changes in the Composition of the Group

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

13. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

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.

14. Capital Commitment

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

15. Review of Performance

Comparison between Current Financial Quarter / Year-to-date Ended 31 March 2013 and Previous Corresponding Quarter / Year-to-date Ended 31 March 2012

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

	3 Months Ended					
	31.03.2013			31.03.2012		
	Technical Assembly Services	Precision Cleaning	Total	Technical Assembly Services	Precision Cleaning	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue	1,591	8,755	10,346	-	9,939	9,939
Gross (loss)/profit	192	1,117	1,309	-	2,698	2,698
(Loss)/profit before tax			(1,010)			335

Technical Assembly Services Division

Technical assembly services commenced only in the last quarter of year 2012.

Precision Cleaning Division

Revenue from precision cleaning was approximately 12% lower than preceding year corresponding quarter mainly due to the decrease in sales in Singapore and China by 15% and 36% respectively.

The gross profit margin for the precision cleaning division decreases from approximately 27% to 13%, due primarily to the following:-

- a) increase in fixed overheads comprising of rental of premises by 17% (RM75,000) and depreciation and amortization of intangible assets by 15% (RM 100,000)
- b) lower GP margin from Technical Assembly Services segment as compared with Cleaning Services
- c) higher GP margin from previous year corresponding quarter Cleanroom Assembly Services business

Overall, the Group reported a loss before tax of RM 1.01 million as compared with a profit before tax of RM 335,000 in the previous year corresponding quarter.

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

	3 Months Ended					
	31.03.2013			31.12.2012		
	Technical Assembly Services	Precision Cleaning	Total	Technical Assembly Services	Precision Cleaning	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue	1,591	8,755	10,346	1,071	9,023	10,094
Gross (loss) / profit	192	1,117	1,309	(36)	1,519	1,483
Loss before tax			(1,010)			(965)

Technical Assembly Services Division

Revenue from Technical Assembly Services was 49% higher than immediate preceding quarter. The gross loss in the immediate preceding quarter was due to start up costs.

Precision Cleaning Division

The Group’s revenue from Precision Cleaning has decreased by 3% in the current financial quarter as compared to the immediate preceding quarter.

The gross profit margin (“**GP margin**”) for the precision cleaning division decreases from approximately 17% to 13%, mainly due to increase in washed cassettes sales in the current quarter resulting in increase in freight costs

Taking into account the abovementioned, the Group incurred a loss before tax of approximately RM1.01 million as compared to a loss before tax of approximately RM 965,000 in the immediate preceding quarter.

17. Future Prospects

Increasing demand for rich formats such as HD for media consumption and the growth in cloud computing is boosting the demand for high capacity storage enterprise drive. However, this increase in demand is not sufficient to offset the decline in the desk top and the mobile computing requirement. As such demand of HDD for 2013 is expected to decline as compared to 2012.

The Group has been exploring related and/or other business opportunities over the last one year and some of these initiatives like the Cleanroom assembly service has started to contribute to the Group revenue. Other initiatives in the non HDD industry is also expected to start contributing to the group revenue in the second half of 2013 as well.

18. Variance of Profit Forecast and Shortfall in Profit Guarantee

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

19. Tax Expense

The is no tax expense for the current financial quarter and the year-to-date ended 31 March 2013 .

20. Status of Corporate Proposals

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

21. Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2013.

22. Realised and Unrealised Retained Profits

	Cumulative year to date ended 31/03/2013 RM'000	Cumulative year to date ended 31/12/2012 RM'000
Total retained profits of the Group:		
- Realised	3,139	5,014
- Unrealised	11	(854)
	3,150	4,160
Consolidated adjustments	1,780	1,780
	4,930	5,940

23. Off Balance Sheet Financial Instruments

As at 31 March 2013, the Group is a party to a foreign currency forward contract of USD500,000 at a rate between SGD1.2225 and SGD 1.2275. Had the contract been settled at the financial position date, the effect on the exchange exposure is an decrease in the profit of RM 13,000.

24. Material Litigation

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

25. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 31 March 2013.

26. (Loss)/earnings Per Share

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.

	1st Quarter Ended		Cumulative Quarter Ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Net profit for the period attributable to owners of the parent (RM'000)	(1,010)	305	(1,010)	305
Weighted average number of ordinary shares in issue ('000)	117,400	117,400	117,400	117,400
Basic EPS (sen)	(0.86)	0.26	(0.86)	0.26

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 .

	1st Quarter Ended		Cumulative Quarter Ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Weighted average number of ordinary shares in issue ('000)	176,100	176,100	176,100	176,100
Diluted EPS (sen)	Not applicable ⁽¹⁾	0.17	Not applicable ⁽¹⁾	0.17

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

27. 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 March 2013	Year-to-date Ended 31 March 2013
	RM'000	RM'000
(a) Interest income	(2)	(2)
(b) Other income including investment income	(37)	(37)
(c) Interest expenses	-	-
(d) Depreciation and amortization	954	954
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted and unquoted investment or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange (gain) or loss	(33)	(33)
(j) Gain or loss on derivatives	-	-
(k) Exceptional item	-	-