

Unaudited financial results of MClean and its subsidiaries (the “Group”) for period ended 30 June 2013.

Explanatory notes to the quarterly report and for the financial period ended 30 June 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 comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the 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 new/ revised MFRS mentioned 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 which are mandatory for annual financial periods beginning on or after 1 January 2013:

MFRS 10: Consolidated Financial Statements

MFRS 11: Joint Arrangements

MFRS 12: Disclosure of Interest in Other Entities

MFRS 13: Fair Value Measurement

MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)

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)

IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above standards and amendments are not expected to have any impact on the financial statements of the Group, except for the following:

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.

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>6 Months Ended</u> 30.06.2013	<u>6 Months Ended</u> 30.06.2012
	RM'000	RM'000
People's Republic of China	6,303	8,428
Malaysia	2,164	1,831
Singapore	13,320	13,460
Others	1,762	956
Inter segment	(3,367)	(4,235)
	20,182	20,440

Current quarter ended 30.06.2013	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:-					
External customers	1,139	1,104	7,593	-	9,836
Inter segment	-		1,580	(1,580)	-
Total revenue	1,139	1,104	9,173	(1,580)	9,836
Results:-					
Segment results	154	96	1,239	-	1,489
Unallocated amounts:					
Other income					145
Other corporate expenses					(2,442)
Loss before tax					(808)

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

Current quarter ended 30.06.2012	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	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

Cumulative quarter ended 30.06.2013	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:-					
External customers	2,730	2,030	15,422	-	20,182
Inter segment	-	-	3,367	(3,367)	-
Total revenue	2,730	2,030	18,789	(3,367)	20,182
Results:-					
Segment results	346	132	2,320	-	2,798
Unallocated amounts:					
Other income					200
Other corporate expenses					(4,816)
Loss before tax					(1,818)

Cumulative quarter ended 30.06.2012	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Elimination	Total
	RM'000	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					(5,025)
Profit before tax					345

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 all business segments.

10. Valuation of Property, Plant and Equipment

The Group does not own any properties or real estate. As at 30 June 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

There was no capital commitment as at the end of the current financial quarter.

15. Review of Performance

Comparison between Current Financial Quarter / Year-to-date Ended 30 June 2013 and Previous Corresponding Quarter / Year-to-date Ended 30 June 2012

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

	3 Months Ended							
	30.06.2013				30.06.2012			
	Technical Assembly Services RM’000	Plastic Injection Moulding RM’000	Precision Cleaning RM’000	Total RM’000	Technical Assembly Services RM’000	Plastic Injection Moulding RM’000	Precision Cleaning RM’000	Total RM’000
Revenue	1,139	1,104	7,593	9,836	-	853	9,648	10,501
Gross profit/(loss)	154	96	1,239	1,489	-	(14)	2,357	2,343
(Loss)/profit before tax				(808)	-			10

Technical Assembly Services Division

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

Precision Cleaning Division

Revenue from precision cleaning was approximately 21% lower than preceding year corresponding quarter mainly due to decrease in precision cleaning sales in Singapore and China by 27% and 53%. The decrease in precision cleaning sales in China for current quarter as compared to the preceding year corresponding quarter is mainly due to a one time substantial cleanroom assembly services provided to a customer in 2012.

The gross profit margin for the precision cleaning division decreases from approximately 24% to 16%, due primarily to the following:-

- a) the effect of reduced revenue over fixed factory overheads such as rent, depreciation and amortization expenses
- b) higher gross profit margin (**GP margin**) from previous year corresponding quarter Cleanroom Assembly Services business. Cleanroom Assembly services is part of the Precision Cleaning services. However, it is not recurring in nature.

Overall, the Group reported a loss before tax of RM 808,000 as compared with a profit before tax of RM 10,000 in the previous year corresponding quarter.

Comparison between Current Period-to-date Ended 30 June 2013 and Previous Corresponding Period-to-date Ended 30 June 2012

	6 Months Ended							
	30.06.2013				30.06.2012			
	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Total	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,730	2,030	15,422	20,182	-	1,732	18,708	20,440
Gross profit/(loss)	346	132	2,320	2,798	-	(73)	5,114	5,041
(Loss)/profit before tax				(1,818)	-			345

Technical Assembly Services Division

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

Precision Cleaning Division

Revenue from precision cleaning was approximately 17.5% lower than preceding year corresponding period mainly due to decrease in precision cleaning sales in Singapore and China by 21% and 36%.

The gross profit margin for the precision cleaning division decreases from approximately 27% to 15%, due primarily to the following:-

- a) the effect of reduced revenue over fixed factory overheads such as rent, depreciation and amortization expenses
- b) higher GP margin from previous year corresponding quarter Cleanroom Assembly Services business
- c) increase in direct labour cost of RM 466,000

Overall, the Group reported a loss before tax of RM 1.82 million as compared with a profit before tax of RM 345,000 in the previous year corresponding period.

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

	3 Months Ended							
	30.06.2013				31.03.2013			
	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Total	Technical Assembly Services	Plastic Injection Moulding	Precision Cleaning	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,139	1,104	7,593	9,836	1,591	926	7,829	10,346
Gross profit/(loss)	154	96	1,239	1,489	192	36	1,081	1,309
Loss before tax				(808)				(1,010)

Technical Assembly Services Division

Revenue from Technical Assembly Services was 28% lower than immediate preceding quarter as there were less completed modules delivered. However gross profit margin improved to 13.5% as compared with 12% in the immediate preceding quarter.

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 GP margin for the precision cleaning division increase from approximately 14% to 16% mainly due to a reduction in freight expenses.

Taking into account the abovementioned, the Group incurred a loss before tax of approximately RM808,000 as compared to a loss before tax of approximately RM 1.01 million in the immediate preceding quarter.

17. Future Prospects

The outlook for the hard disk drive ("HDD") sector would continue to be challenging in the near future as pre-empted by our HDD customers. The anticipated Total Addressable Market ("TAM") for the sector is approximately 135 million units per quarter.

The Group has recently completed and closed a Request for Quote (RFQ) exercise with a major HDD customer for their cleaning requirement for their next Financial Year 2014. With the close of this RFQ, the Group expects to maintain our market share of the HDD cleaning segment.

The Group's key priorities for the year is to;

- a) Continue the expansion of services to non HDD industries such as the semi-conductor, medical devices and the consumer electronics industries.
- b) Reduction of operational costs via semi-automated processes and productivity improvement program.

Additionally, the Group is considering streamlining the efficacy of the business and discontinuing non-performing business segments.

Barring any unforeseen circumstances, the Group believes that the successful implementation of its business plan will contribute positively and enhance the Group's financial performance going forward.

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 30 June 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’s borrowings as at 30 June 2013 presented as follows:-

	RM’000
Long Term Borrowings	
Unsecured:-	
Term loan	1,668
Short Term Borrowings	
Unsecured:-	
Term loan	834

The total borrowings denominated in foreign and local currency as at 30 June 2013 are: -

	RM’000
Foreign currency – SGD 1,000,000 @ RM2.5022/SGD1	2,502

22. Realised and Unrealised Retained Profits

	Cumulative year to date ended 30/06/2013 RM’000	Cumulative year to date ended 31/12/2012 RM’000
Total retained profits of the Group:		
- Realised	2,298	5,014
- Unrealised	44	(854)
	<hr/> 2,342	<hr/> 4,160
Consolidated adjustments	1,780	1,780
	<hr/> 4,122	<hr/> 5,940
Total Group retained profits	4,122	5,940

23. Off Balance Sheet Financial Instruments

As of 30 June 2013, the Group does not have any off balance sheet financial instruments.

24. Material Litigation

There was no pending material litigation from 1 January 2013 up to the date of this quarterly announcement.

25. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 30 June 2013.

26. (Loss)/Earnings Per Share

Basic

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

	2nd Quarter Ended		Cumulative Quarter Ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Net profit for the period attributable to owners of the parent (RM'000)	(808)	34	(1,818)	339
Weighted average number of ordinary shares in issue ('000)	117,400	117,400	117,400	117,400
Basic LPS/EPS (sen)	(0.69)	0.03	(1.55)	0.29

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	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Weighted average number of ordinary shares in issue ('000)	176,100	176,100	176,100	176,100
Diluted EPS (sen)	Not applicable ⁽¹⁾	0.02	Not applicable ⁽¹⁾	0.19

(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 to Comprehensive Income

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

	Current Quarter Ended 30 June 2013	Year-to-date Ended 30 June 2013
	RM'000	RM'000
(a) Interest income	(2)	(4)
(b) Other income including investment income	(12)	(49)
(c) Interest expenses	6	6
(d) Depreciation and amortization	763	1,577
(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	(143)	(158)
(j) Gain or loss on derivatives	-	-
(k) Plant, property & equipment written off	11	11