Macro solution for micro contamination control

MClean

MClean Technologies Berhad (893631-T)

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

As a representative of the Board of Directors ("Board") and as the Chairman of the Company, I like to present the Annual Report of MClean Technologies Berhad ("MClean" or the "Group") for the financial year ended 2012 ("FYE2012").

Performance Review

The Group reported revenue of RM38.39 million for the FYE2012, an increase of 5.47% from the previous year's revenue of RM36.40 million. Nevertheless, the Group registered a net loss of RM2.4 million for the FYE2012, which was largely attributed by the significantly lower orders for the Group's mould manufacturing and the rise in labour cost in both Singapore and China, which led to a lower profit margin. Moreover, the revenue from plastic injection moulding has declined 28% as compared to last year.

Despite the above, the overall financial performance for FYE2012 under review remains stable, as the revenue from precision cleaning for hard disk drives (HDD) is 10% higher than the preceding year. However, the gross profit margin (GP margin) for the precision cleaning division decreased from approximately 29% to 21%. This is due primarily to a change in which MClean Singapore now bears the ocean freight charges of approximately RM1,133,717 for shipment of cassettes from China to Singapore. MClean Singapore bears these charges as its inward freight cost (as Cost of Sales) instead of Techsin Wuxi, who previously bore the ocean freight charges as its Distribution Cost.

MClean will continue to work towards the development and growth of the Group through various initiatives to enhance our company's value.

Industry and Corporate Development

The HDD industry has stabilised since the tragic floods in Thailand, which shows a positive sign of recovery. It also continues to grow at a healthy rate with players in the industry competing against each other to offer the latest advancements in data storage.

The global demand for HDD continues to be sustained by demands for Ultrabooks, as hard drives remain essential in business computing. Orders have been coming in for MClean since the first quarter of 2013. This means that we will remain actively in operation to cater to their precision cleaning requirements.

In all businesses, there will be challenges. For us, it is the rising operation cost – mostly labour costs in both China and Singapore, where MClean's two manufacturing plants are located. However, we have taken measures to address this by exploring productivity improvement programmes and semi-automation in various processes to cut down on manpower.

Future Prospects

According to a report released by research company Trendfocus, shipments of hard disk drives (HDDs) went down in the first quarter of 2013. Desktop and consumer electronics 3.5″ HDD shipments went slightly down with nearly 1 million less disks shipped than the last quarter of 2012. However, Seagate Technology states that consumer's continues their appetite for securely saving and organising high-definition multimedia have driven a growth of the hard disk market as digital content demand continued to stem from a wide range of sources which includes social media and mobile devices, fuelling the need for storage.

In order to stay competitive, MClean will continue to improve on our operations in both Singapore and China, utilise more efficient cleaning technologies as well as to explore in various other related industries for more growth. 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.

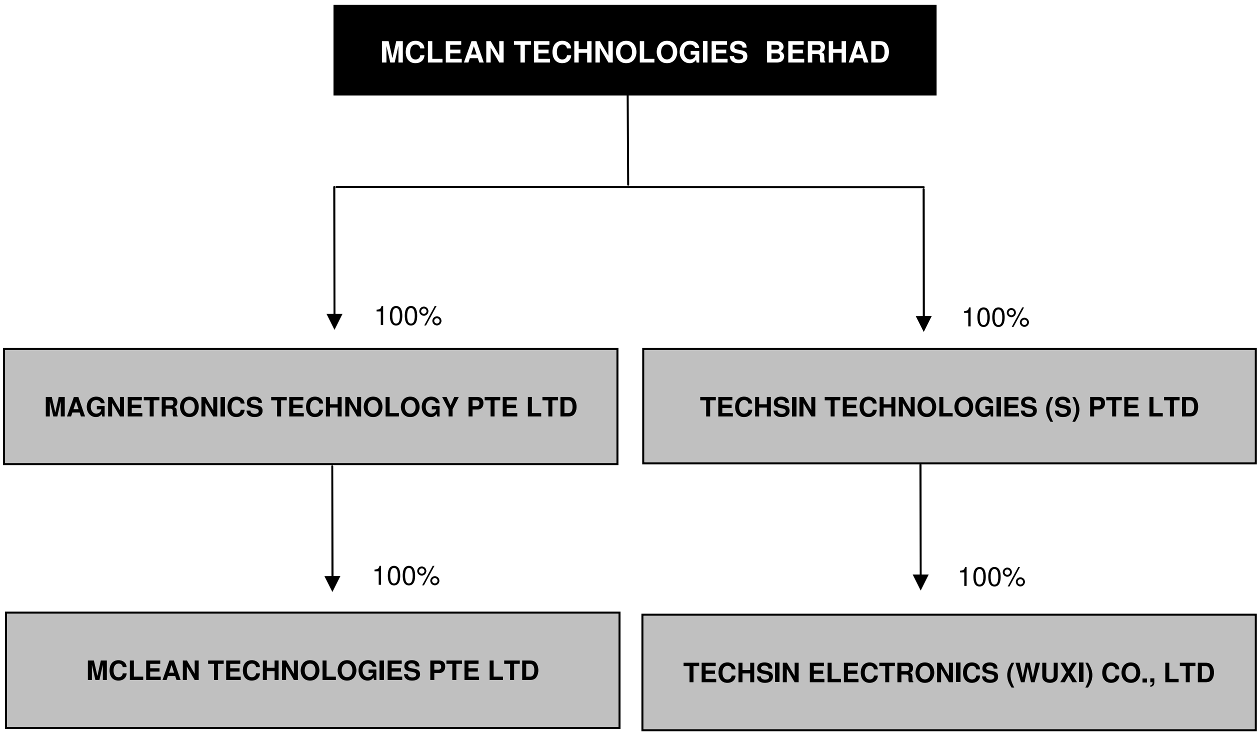
Last year, we mentioned plans to set up manufacturing plants in Malaysia or Thailand. At present, we are still looking for a good window of opportunity to introduce the manufacturing plants in one of these countries so as to maximize productivity and increase efficiency.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express my greatest appreciation and gratitude to my fellow Directors, the Management Team and MClean employees for their dedication, passion and diligence while persevering under the challenging circumstances of the Group throughout the years. My appreciation also goes to our valued customers, shareholders and business associates for their support in the past year. I hope for your continuous support in the future as we continue to work hard towards delivering better and more sustainable results.

YEO HOCK HUAT
Executive Chairman

CORPORATE STRUCTURE



Abbreviation	**Name of Company**	**Principal activities**
MClean	MClean Technologies Berhad	Investment holding
Magnetronics	Magnetronics Technology Pte Ltd	Investment holding company and to provide washing, assembling and sorting services for electronic components and sales of electronic components
MClean Singapore	MClean Technologies Pte Ltd	Provide precision cleaning, assembly services, other related services to hard disk drive and sale of modules relating to technical assembly services.
Techsin Singapore	Techsin Technologies (S) Pte Ltd	Investment holding company and to provide precision cleaning services and assembly of hard disk drive products
Techsin Wuxi	Techsin Electronics (Wuxi) Co., Ltd	Cleanroom injection moulding and provide precision cleaning and cleanroom assembly sorting services to the hard disk drive and semi-conductor industries

CORPORATE INFORMATION

DIRECTORS

Yeo Hock Huat	(Executive Chairman)
Chow Kok Meng, Bert	(Chief Executive Officer)
Loh Weng Yew	(Chief Financial Officer)
Dato' Mark William Ling Lee Meng	(Senior Independent Non-Executive Director)
Dr Ho Choon Hou	(Independent Non-Executive Director)
Pang Kong Chek	(Independent Non-Executive Director)
Yeo Seow Lai	(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Dato' Mark William Ling Lee Meng
(Chairman)

Dr Ho Choon Hou

Pang Kong Chek

Yeo Seow Lai

REMUNERATION COMMITTEE

Dato' Mark William Ling Lee Meng
(Chairman)

Yeo Hock Huat

Pang Kong Chek

NOMINATION COMMITTEE

Dato' Mark William Ling Lee Meng
(Chairman)

Pang Kong Chek

Yeo Seow Lai

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3 Jalan P. Pamlee
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Tel no.: +65 6753 8077
Fax no.: +65 6753 8993
Website : http://www.mclean.com.sg

SOLICITOR

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50250 Kuala Lumpur
Tel no.: +603 2381 2070
Fax no.: +603 2381 2078

COMPANY SECRETARIES

Pang Chia Tyng (MAICSA 7034545)

Teo Mee Hui (MAICSA 7050642)

SPONSOR

Kenanga Investment Bank Berhad (15678-H)
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel no.: +603 2027 5555
Fax no.: +603 2164 6690

AUDITORS

SJ Grant Thornton (AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel no.: +603 2692 4022
Fax no.: +603 2691 5229

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
Fax no.: +603 7841 8151/8152

PRINCIPAL BANKERS

Malayan Banking Berhad

Overseas-Chinese Banking Corporation Limited

United Overseas Bank Limited

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Name	: MCLEAN & MCLEAN-WA
Stock Code	: 0167 & 0167WA
Sector	: Trading Services

FINANCIAL HIGHLIGHTS

	2012 RM'000	2011 RM'000
Revenue	38,391	36,404
Gross profit	7,282	9,641
Loss before interest and tax ("LBIT")	(2,487)	(1,210)
	RM	**RM**
NTA per share	0.20	0.22
Loss per share ("LPS") (sen)	(2.04)	(1.26)

PROFILE OF BOARD OF DIRECTORS

Yeo Hock Huat
Singaporean, aged 50
(Executive Chairman)

Mr Yeo Hock Huat, was appointed to the Board on 1 June 2010 and is the Executive Chairman of MClean Technologies Berhad ("MClean"). He is a member of the Remuneration Committee of MClean.

He obtained his Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore in 1991. Prior to that, Mr 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, Mr Yeo established JCS Automation Pte Ltd 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 Pte Ltd, a trading company specialising in the provision of ultrasonic and various cleaning equipment, clean room products and manufacturing services worldwide on 25 November 1999, Mr 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 developments of his businesses. After acquiring a 54% equity stake in Magnetronics in 2002, Mr 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.

Mr Yeo has more than 15 years of experience in contract services and the equipment manufacturing industry and is currently a Director of MClean Group. Mr 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 does not hold any directorship in any other public company. Mr Yeo is a brother of Madam Yeo Seow Lai who is a director and major shareholder of MClean. Save as mentioned, he has no family relationship with other Directors and/or major shareholders of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

Chow Kok Meng, Bert
Singaporean, aged 52
(Chief Executive Officer, Executive Director)

Mr Bert Chow, is the Chief Executive Officer and was appointed to the Board on 1 June 2010. He is responsible for the overall business operations of the Group, including 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.

Mr Bert Chow does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

Loh Weng Yew
Singaporean, aged 48
(Chief Financial Officer, Executive Director)

Mr Loh Weng Yew, was appointed to the Board on 1 June 2010 and has been with the Group since November 2009. He has more than 20 years of experience in accounting, finance and administration. Mr Loh oversees the Group's financials and participate in the Group's strategic developments. He graduated from Curtin University of Technology, Australia with a Bachelor of Business (Accounting) in 1989. He is a member of both the Institute of Certified Public Accountants of Singapore and Certified Practising Accountants, Australia.

Mr Loh does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

PROFILE OF BOARD OF DIRECTORS (cont'd)

Dato' Mark William Ling Lee Meng
Malaysian, aged 50
(Senior Independent Non-Executive Director)

Dato' Mark**,** was appointed to the Board on 16 June 2010. He is the Chairman of the Nomination Committee, Remuneration Committee and Audit Committee. 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 then EON Bank Group which merged with Hong Leong Bank Berhad 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.

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.

Dato' Mark does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

Dr Ho Choon Hou
Singaporean, aged 41
(Independent Non-Executive Director)

Dr Ho Choon Hou**,** was appointed to the Board on 17 August 2011 and is a member of the Audit Committee.

Dr Ho holds a Bachelor of Medicine and Surgery (Honours) from the University of Sheffield, UK and a Master of Medicine (Surgery) from the National University of Singapore. He obtained membership into the Royal College of Surgeons (Edinburgh) and his Masters of Business Administration (Honours) from the University of Chicago.

He is currently attached to Southern Capital Group Limited as an Executive Director, a private equity firm, which is principally involved in the management of investments for institutional investors.

Prior to joining Southern Capital Group Limited, Dr Ho held various portfolios in the healthcare industry. From 2004 to 2007, he served as Executive Director at National Healthcare Group. He was also the co-founder of Medfolders which was acquired by NovaMSC in 2000 and the co-founder of Cordlife (listed on the ASX). He is also the non-executive Chairman of Cordlife Group Limited listed on the Singapore Stock Exchange.

Dr Ho does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with MClean. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

PROFILE OF BOARD OF DIRECTORS (cont'd)

Pang Kong Chek
Malaysian, aged 36
(Independent Non-Executive Director)

Mr Pang Kong Chek**,** was appointed to the Board on 16 June 2010 and is a member of the Nomination Committee, Remuneration Committee and Audit Committee.

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 2004 to 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 2000 and resigning as a Senior Associate in 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 2009 to 2010.

Currently, he is attached to a local private company as a Chief Financial Officer since 2010.

Mr Pang does not hold any directorship in any other public company. He has no family relationship with any director and/or major shareholder of MClean and does not have any conflict of interest with Clean. Further, he has never been convicted of any offences within the past ten years other than traffic offences, if any.

Yeo Seow Lai
Singaporean, aged 54
(Non-Independent Non-Executive Director)

Madam Yeo Seow Lai**,** was appointed to the Board on 16 June 2010 and is a member of the Nomination Committee and Audit Committee.

Madam Yeo holds a Diploma in Life Insurance from the Singapore College of Insurance.

Madam 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 TM Asia Life (now Tokio Marine Insurance Singapore Ltd.) on 1 August 1998 as a Senior Financial Advisor, whereby she is now Financial Planning Consultant, and her role involves financial planning for companies and individuals as well as investment planning at individual and corporate level. Overall, Madam Yeo has more than 20 years of experience in life insurance.

Currently, she is also a Director of JCS Automation Pte Ltd following her appointment on 8 June 1990. Madam Yeo is a sister of Mr Yeo Hock Huat who is a director and major shareholder of MClean. Save as mentioned, she has no family relationship with other directors and/ or major shareholders of MClean and does not have any conflict of interest with MClean. Further, she has never been convicted of any offences within the past ten years other than traffic offences, if any.

BOARD CHARTER

1.0 INTRODUCTION

The primary objective of the Company's Board Charter is to set out the roles and responsibilities of the Board of Directors ("Board").

The Board, whilst supportive of Management, must:-

- approve and proactively participate in strategic decisions.
- challenge management with questions based on informed knowledge;
- oversee management's plans, decisions, and actions;
- monitor management's ethical conduct, financial reporting and regulatory compliance;
- play a critical role in ensuring sound and prudent policies and practices of the Company;
- be capable of effectively achieving good governance and protecting the interests of shareholders; and
- proactively support and have continuous oversight over risk management, internal controls and compliance matters involving the Company.

The Board will regularly review this charter and the terms of reference of Board Committees to ensure they remain consistent with the Board's objectives and responsibilities, and relevant laws, regulations, guidelines and standards of corporate governance.

2.0 BOARD SIZE AND COMPOSITION

a. The Board should comprise of individuals with character, experience, integrity, competence and time to effectively discharge their role as company director. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

b. The number of directors shall not be less than two (2) and not more than nine (9). The appointment of directors shall be recommended by the Nomination Committee and approved by the Board.

c. At any one time, at least two or one-third (1/3), whichever is higher, of the Board members are independent directors.

d. The Board may appoint a senior independent director to whom shareholders' concerns can be conveyed if there are reasons that contact through the normal channels of the chairman or the managing director have failed to resolve them.
The Board shall appoint the senior independent director as the chairman of the Nomination Committee, unless a better candidate is available.

e. The positions of chairman of the Board and Chief Executive Officer ("CEO") should be held by different individuals, and the chairman must be a non-executive member of the Board. The Board must comprise a majority of independent directors where the chairman of the Board is not an independent director.

In the event that the positions of chairman of the Board and managing director are held by the same person, the Company shall provide explanation and justification in the Annual Report of the Company.

f. The Board shall endeavour to achieve 30% female directors by 2016. The Board through its Nomination Committee should take steps to ensure that women candidates are sought as part of the recruitment exercise.

3.0 POSITION DESCRIPTION

3.1 CHAIRMAN

a. The Chairman should:

i. ensure the smooth functioning of the Board;

ii. act as facilitator at meetings of the Board to ensure that no directors, whether executive or non-executive, dominate discussion, that appropriate discussion takes place and that relevant opinion among directors is forthcoming;

iii. inculcate positive culture in the Board;

iv. ensure that all relevant issues are on agenda for Board meeting and all directors are able to participate fully in the Board's activities;

v. ensure that the Board debates strategic and critical issues; and

vi. ensure that the Board receives the necessary information on a timely basis from Management.

b. The Chairman will have no casting vote if two (2) directors form a quorum, or if there are only two (2) directors competent to vote on the question at issue.

3.0 POSITION DESCRIPTION (CONT'D)

3.2 CEO

a. The CEO should:

i. be persons of high professional calibre, and unquestionable integrity;

ii. directly responsible for the day-to-day operations of the Company;

iii. familiar with the Company's performance, the adequacy of internal controls, risk management and compliance with legal requirements as well as current matters and policies;

iv. devote full attention and time to their duties and responsibilities and be able to direct and supervise the Company effectively and responsibly; and

v. at all times exercise professional skill, due care and diligence when performing his functions, exercising their powers or discharging his duties.

b. The key roles of a CEO, amongst others, include:

i. developing the strategic direction of the Company;

ii. ensuring that the Board decisions are implemented and the Board directions are responded to;

iii. providing directions in the implementation of short and long-term business plans;

iv. providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees;

v. keeping the Board fully informed of all important aspects of the Company's operations and ensuring sufficient information is distributed to the Board members; and

vi. ensuring day-to-day business affairs of the Company are effectively managed.

The sound operation of the Company depends critically on its CEO. Thus, he must be able to devote his full attention and time to be able to discharge his duties and responsibilities effectively and diligently.

As the CEO is directly responsible for the day-to-day operations of the Company, he must be familiar with the operations of the Company, the state of internal controls, requirements of regulations, as well as current issues and policies affecting the industry in general. He must also have the necessary knowledge and professional competence in the conduct of the Company's business.

In the absence of its CEO, the executive director who is fully acquainted with the Company's affairs, is the person who will be directly responsible for the overall running of the Company.

3.3 INDEPENDENT DIRECTOR

An independent director should declare to the Company annually that he complies with the criteria as stated below.

1) He/She is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and-

a. is not an executive director of the Company or any related corporation of the Company;

b. has not been within the last 2 years and is not an officer (except as a non-executive director) of the Company;

c. is not a major shareholder of the Company;

d. is not a family member of any executive director, officer or major shareholder of the Company;

e. is not acting as a nominee or representative of any executive director or major shareholder of the Company;

f. has not been engaged as an adviser by the Company under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by the Exchange; or

g. has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the applicant or the listed corporation) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange.

2) An independent director should:

i. provide and enhance the necessary independence and objectivity to the Board;

ii. ensure effective checks and balances on the Board;

iii. to mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Company;

iv. constructively challenge and contribute to the development of business strategy and direction of the Company; and

v. to ensure that adequate systems and controls to safeguard the interests of the Company are in place.

4.0 BOARD APPOINTMENT

4.1 Nomination

The Company should ensure that the directors and the CEO are of high calibre, sound judgment, high integrity and credibility as they are entrusted by the shareholders to manage and perform effectively.

All nominations of candidates for the positions of directors and CEO must be submitted to the Nomination Committee for consideration. The Nomination Committee shall base on the "Fit and Proper" standards as detailed hereunder before recommending the candidates to the Board for approval:-

Age limit
- In accordance with the Malaysian Companies Act 1965.

Work Experience
- 5 years or more preferably in relevant industry.
- Have been in senior management position.
- Good track record of managing a successful and profitable organisation.

Qualifications
- Degree, Professional qualification or equivalent or with the requisite years of relevant work experience

Personal Background
- A person of good character and high integrity and credibility.
- Not a bankrupt and has never been engaged in deceitful/oppressive/improper business practices.
- Has not been engaged/associated or had conducted himself/herself in a manner which may case doubt on his fitness, competence and soundness of judgment.
- Has not contravened any provision made by or under any written law to be designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice.
- Have not been convicted whether within or outside Malaysia of any offence.

Competencies
- Business acumen
- Product knowledge
- Visionary
- Strategic agility
- Proven leadership ability
- Financial knowledge
- Market and global awareness
- Compliance and legal awareness
- IT awareness
- Human Resource Management skills

Directorship
- <u>Prior to 1 June 2013</u>
  Shall not hold not more than 10 directorships in listed companies and not more than 15 directorships in non-listed companies.
- <u>On and after 1 June 2013</u>
  Shall not hold not more than 5 directorships in listed companies.

Directors should notify the Chairman of the Board before accepting any new directorship, including an indication of time that will be spent on the new appointment.

All nominations of candidates for the positions of directors and CEO must be submitted to the Nomination Committee for consideration.

4.2 Re-election

All directors are subject to retirement by rotation.

4.3 Retention/ Re-designation of an independent director with cumulative term of more than nine (9) years

The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board, upon recommendation of the Nomination Committee, shall justify and seek shareholders' approval in the event that it desires to retain a person who has served in that capacity for more than nine years as an independent director.

Further, the long serving director is required to declare to the Company annually that he complies the criteria as stated in item 3.3 above.

5.0 BOARD RESPONSIBILITIES

The Board should assume, amongst others, the following responsibilities:

a. Reviewing the code of conduct of the Company and implementing appropriate internal systems to support, promote and ensure its compliance;

b. Reviewing and adopting a strategic plan for the Company;

c. regularly evaluating economic, environmental, social and governance issues and any other relevant external matters that may influence or affect the development of the business or the interests of the shareholders in ensuring that the Company's strategies promote sustainability;

d. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

e. Reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance.

   This includes establishing sound risk management framework, reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;

f. selecting, appointing and evaluating from time to time the performance of, and planning succession of the Managing Director under the guidance of the Nominating Committee;

g. reviewing the procedures for appointment of senior management and ensuring that succession planning of the senior management is in place;

h. establishing an internal audit function which reports directly to the Audit Committee;

i. promoting effective communication and proactive engagements within shareholders and other stakeholders;

j. ensuring there is a sound framework of reporting on internal controls and regulatory compliance;

k. ensuring its members have access to information, advice and appropriate continuing education programmes;

l. reviewing and approving formal and transparent remuneration policies and procedures to attract and retain directors;

m. ensuring there is appropriate corporate disclosure policies procedures;

n. encouraging the usage of information technology in communicating with stakeholders;

o. taking reasonable steps in encouraging the shareholders' participation and voting by poll at general meetings of the Company;

p. promoting effective communication and proactive engagements with shareholders; and

q. undertaking an assessment of the independent directors annually.

6.0 BOARD/MANAGEMENT AUTHORITIES

The Board shall have the authority to approve transactions or activities which are beyond the individual discretionary powers of senior officers or management committees delegated by the Board as per the Approving Authority limits stipulated in the relevant policy manuals of respective operating units subject to the provision of the Articles of Association of the Company.

7.0 BOARD COMMITTEES

a. The Board should establish and delegate certain duties to specialised Board Committees to oversee critical or major functional areas and to address matters, which require detailed review or in-depth consideration before tabling its recommendation to the Board.

b. The Board has established the following Board Committees which operate within their specific terms of reference:-

   i. Nomination Committee
   To provide a formal and transparent procedures for the appointment of directors as well as annual assessment of effectiveness of individual directors, Board Committees and Board as a whole and key senior management officers.

   ii. Remuneration Committee
   To provide a formal and transparent procedure for developing remuneration policy for directors and key senior management officers, and ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy.

   iii. Audit Committee
   To provide independent oversight of the Company's financial reporting and internal control system and ensure checks and balances within the Company, and to ensure financial statements comply with applicable financial reporting standards.

   To review and assess the suitability and independence of external auditors.

Duties and functions of the above-mentioned committees are provided in their respective terms of reference.

8.0 BOARD PROCEDURES

a. The conduct of directors will be consistent with their duties and responsibilities to the Company and, indirectly, to the shareholders. The Board will always act within any limitations imposed by the provisions of relevant laws and guidelines on its activities;

b. Directors will use their best endeavours to attend Board meetings. Directors are expected to participate fully, and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board;

8.0 BOARD PROCEDURES (CONT'D)

c. Directors who are not able to attend a meeting will advise the Chairman at an earlier date as possible and confirm in writing to the Secretary;

d. Board discussions will be open and constructive, recognising that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus of the Board but may, where considered necessary, call for a vote;

e. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal and regulatory requirements the Board will decide the manner and timing of the publication of its decisions;

f. Directors are expected to strictly observe confidentiality of the Company's information; and

g. Directors are required to inform the Board of conflicts or potential conflict of interest that may have in relation to particular items of business or transaction. Subject to provisions of relevant laws and guidelines, these Directors shall abstain from deliberation and determination of those matters.

9.0 AUTHORITY

The Board shall within its terms of reference:

a. have complete, adequate and timely information prior to Board meetings and on an ongoing basis;

b. have the resources required to perform its duties;

c. have full and unrestricted access to any information pertaining to the Company;

d. have the authority to form management / sub-committee(s) if deemed necessary and fit;

e. have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit

f. have direct communication channels with employees, senior management personnel and relevant external parties; and

g. be able to obtain independent professional or other advice.

10.0 MEETINGS & MINUTES

Subject to relevant laws and guidelines, the following should be observed by the Board:-

a. the Board shall meet on a quarterly basis, but in any event, no less than once in every three (3) months, or whenever deemed necessary;

b. individual directors must attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the Listing Requirements;

c. the quorum of the meetings shall be met pursuant to the Articles of Association of the Company;

d. the Board is also allowed to carry out the resolution by way of circulation;

e. the participation of the director can be facilitated by means of video or telephone conferencing;

f. Head of the respective division units and relevant management personnel may be invited to attend the Board meetings;

g. The Company Secretary shall be appointed as Secretary of the Board Meeting and minutes of meetings shall be taken and documented; and

h. Information should be supplied to the directors at least seven (7) days prior to the meeting in order for them to discharge their duties.

11.0 REMUNERATION OF DRIECTORS

a. The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.

b. The level of remuneration for the executive directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar industry.

c. Non-executive directors are entitled to participate in the Company's Share Issuance Scheme subject to approval at a general meeting. Non-executive directors who participated in the Share Issuance Scheme are prohibited to sell, transfer or assign the shares within one (1) year from the date of offer of such options.

d. No director other than executive directors shall have a service contract with the Company.

e. A formal independent review of the directors' remuneration is undertaken no less frequently than once every three (3) years.

12.0 BENEFICIAL INFLUENCE ON COMMUNITY

The Board has a continuing responsibility to the community to ensure that the Company's activities are conducive towards promoting the economic well-being of its community and are in line with government's economic objectives.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**") sets out basic principles and recommendation of best practices on structures and processes that companies may adopt in their operations towards achieving the optimal governance framework.

The Board of Directors of MClean Technologies Berhad ("**the Company**") is fully committed to ensuring and maintaining that the Principles and Recommendations set out in the MCCG 2012 throughout the Group as a fundamental basis in the discharge of their fiduciary duties and responsibilities to protect and enhance long term shareholders' value whilst taking into account the interests of other stakeholders of the Company.

In line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is pleased to describe on how the Company and its subsidiaries ("**the Group**") has complied with the Principles and Recommendations set out in the MCCG 2012 throughout the financial year ended 31 December 2012.

BOARD OF DIRECTORS

1. Establish clear roles and responsibilities

1.1 Clear functions of the Board and those delegated to Management

The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, and charting the course of the Group's business operations whilst providing effective oversight of Management's performance, risk assessment and controls over business operations.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Chairman of the Board and the Chief Executive Officer ("**CEO**"). The Chairman leads strategic planning at the Board level, while the Executive Directors are responsible for the implementation of the policies laid down and executive decision-making.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition, the Board is directly responsible for decision making in respect of the following matters:

a. appointment of directors and key management personnel;
b. announcements including approval and releases of financial results and annual reports;
c. business strategy including significant acquisition and disposal of subsidiaries or assets or liabilities;
d. operating budgets, significant investments and capital expenditures; and
e. corporate policies with good corporate governance and business practices.

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include the Audit Committee, Nomination Committee and Remuneration Committee, each of which functions are clearly defined in its respective terms of reference and operating procedures which are reviewed on a regular basis. These committees have the authority to examine particular issues for reporting to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

In general, the Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(a) Reviewing and adopting the Company's strategic plans

The Board has in place a strategy planning process, whereby CEO presents to the Board its recommended strategy annually, together with the proposed business plans for the ensuing year for the Board's review and approval. The Board will deliberate both Management's and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcome.

(b) Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by Management and the Finance Director.

Management's performance, under the leadership of CEO, is assessed by the Board through monitoring the success in delivering the approved targets and business plans against the performance of the Group.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

Through the Audit Committee, the Board oversees the Risk Management framework of the Group. The Audit Committee advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee reviews the action plan implemented and makes relevant recommendations to the Board to manage risks.

(d) Succession Planning

The Board has entrusted the Nomination Committee and Remuneration Committee with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions (cont'd)

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. The Company carried out its Investor Relations ("IR") activities with reference to its stated Corporate Disclosure Policy, which is available on its website.

In addition to the above, shareholders and investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses available on the corporate website.

(f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system.

Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

1.3 Formalised ethical standards through Directors' Code of Conduct

The Board is guided by the Directors' Codes of Conduct in discharging its oversight role effectively. The Directors' Codes of Conduct require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Directors' Codes of Conduct was published on the corporate website.

The Board shall endeavour to formalise the Company's Whistleblowing Policy and publish the same on the corporate website.

1.4 Strategies promoting sustainability

The Board acknowledges that sustainability has become critical to business strategy and will be taking the following six (6) steps to embed sustainability in its organization:-

(1) Build sustainability into the Company's mission;
(2) Communicate Board's commitment;
(3) Build sustainability into risk management;
(4) Integrate sustainability into business strategy and provide oversight;
(5) Mandate a committee with sustainability responsibility;
(6) Report to shareholders on sustainability performance.

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

1.6 Qualified and competent company secretaries

The Board is regularly updated and apprised by the Company Secretary on new regulation issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares.

The Company Secretary attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

1.7 Board Charter

The Board adopted the Board Charter on 27 February 2013 which serves as a reference point for Board's activities. The Board Charter provides guidance for Directors and Management on the roles and responsibilities of the Board, its CEO and Board Committees. The charter and terms of reference of Board Committees are subject to regulary review to ensure consistency with the Board's objectives and responsibilities, and relevant laws, regilations, guidelines as well as standards of corporate governance. The Board Charter is made available at the Company's website at www.mclean.com.sg.

2.0 Strengthen Composition

2.1 Board Composition and Balance

As at 31 December 2012, the Board size of seven (7) members comprises of Executive Chairman, a Chief Executive Officer, a Chief Financial Controller, a Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The composition of the Board meets the criteria on one third (1/3) independent directorship as set out in the ACE Market Listing Requirements. Although the Chairman is not an Independent Non-Executive Director, the Board is of the view that there are sufficient independent minded Directors with wide board room experience to provide the necessary check and balance. Besides, the Board has various Board Committees to discuss and decide on policy matters and related issues on a regular basis. The Executive Chairman, as a rule, will abstain from all deliberations and voting on matters, which he is directly or deemed interested.

Collectively the Directors have a wide range of business, financial and technical experience. This mix of skills and experience is vital for the successful direction of the Group. Profiles of the Members of the Board, are set out on pages 6 to 8 of this Annual Report.

The Board continues to give close consideration to its size, composition, spread of experience and expertise. No individual or group of individuals dominates the Board's decision-making. Together, the Directors possess wide range of business, commercial and financial knowledge, expertise and skills essential in the management and direction of a corporation with regional presence.

2.2 Board Committees

The Board delegates specific responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee so as to enhance business, operational and administration efficiency and effectiveness.

The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee would report to the Directors at the Board meetings, of all salient findings deliberated at each of Committee meetings which require the Board's notice or direction.

These committees have the authority to examine particular issues and report to the Board with recommendations. The ultimate responsibility for final decision on all matters rests with the Board.

Audit Committee

Details of the Audit Committee composition and activities are set out on pages 23 to 24 of this Annual Report.

Nomination Committee

The Nomination Committee was established on 10 November 2010 comprised exclusively of Non-Executive Directors.

In furtherance of their duties, the Nomination Committee is guided by specific terms of reference. The Nomination Committee's duties are:

a) To recommend to the Board, candidates for directorships. In making its recommendations, to consider the candidates' skills, knowledge, expertise and experience; professionalism; integrity; and in the case of candidate for the position of independent non-executive directors, to evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.

b) To recommend the Directors to sit on respective Board committees.

c) To administer the annual assessment of Directors, including a review of the skill, qualification and competencies of the Board as a whole, the committees of the board and for assessing the contribution of each individual director, including independent non-executive directors, as well as the chief executive officer. All assessments and evaluations carried out to be properly documented.

d) To identify suitable orientation, educational and training programmes for continuous development of Directors

The members of the Nomination Committee are as follows:

1. Dato' Mark William Ling Lee Meng – Chairman/Senior Independent Non-Executive Director
2. Pang Kong Chek – Member/Independent Non-Executive Director
3. Yeo Seow Lai – Member/Non-Independent Non-Executive Director

For the financial year under review, the Nomination Committee held one (1) meeting. The record of attendance of individual committee members are as follows:

Name of Directors	Number of Meeting Attended
Dato' Mark William Ling Lee Meng (Chairman)	1/1
Pang Kong Chek	1/1
Yeo Seow Lai	1/1

2.3 Senior Independent Non-Executive Director

The Board has identified the Independent Non-Executive Director, Dato' Mark William Ling Lee Meng, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

Dato' Mark William Ling Lee Meng can be contacted by e-mail at mark@bic.com.my.

2.0 Strengthen Composition (cont'd)

2.4 Develop, maintain and review criteria for recruitment and annual assessment of Directors

Board appointment process

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership was accurately reflects the long-term strategic direction and needs of the Company and determines skills matrix to support strategic direction and needs of the Company.

Management shall then engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The Nomination Committee evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The Nomination Committee will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

Appointments and Re-Election

Pursuant to the Company's Articles of Association, at least one third (1/3) of the Directors including the managing director are subject to retirement by rotation at least once in every three (3) years but shall be eligible for re-election at each Annual General Meeting ("**AGM**") and can offer himself/herself for re-election. Directors who are appointed by the Board during the financial year are subject to election by the shareholders at the next AGM held following their appointment.

The new Director(s) duly appointed by the Board are then recommended for re-election at the AGM.

The Company shall then provide orientation and on-going education to the Board.

In making the selection, the Board is assisted by the Nomination Committee to consider the following aspects:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual (Self & Peer) Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM.

The Nomination Committee also undertakes yearly evaluation of the performance of the Finance Director/Chief Financial Officer ("**CFO**") whose remuneration is directly linked to performance, based on her score sheet. For this purpose, the performance evaluation of the CFO for the year 2012 was reviewed by the Nomination Committee in February 2013.

Gender diversity policy

The Company has one (1) female director for the time being. The gender diversity policy would be establised to ensure that due consideration is given to female candidates as directors and/or Board Committee members and facilitate achievement of such policies and targets. Nonetheless, the Company will endeavour to achieve a higher target through the progressive refreshing of the Board as it implements the nine-year policy for Independent Non-Executive Directors.

2.5 Remuneration Committee

The Remuneration Committee was established on 10 November 2010. The Remuneration Committee reviews annually and proposes, subject to the approval of the Board, the remuneration scheme taking into consideration the term of office of each Director as a member of the Board as well as Committees of the Board. The determination of the remuneration packages of Directors are considered and approved by the Board as a whole. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of the Group. Nevertheless, the interested Directors shall abstain from any discussion on their own remuneration packages.

2.0 Strengthen Composition (cont'd)

2.5 Remuneration Committee (cont'd)

The decision and recommendations of the remuneration packages from the Remuneration Committee are subject to Shareholders' approval at the AGM.

The members of the Remuneration Committee are as follows:

1. Dato' Mark William Ling Lee Meng - Chairman/Senior Independent Non-Executive Director
2. Yeo Hock Huat – Member/Executive Chairman
3. Pang Kong Chek – Member/Independent Non-Executive Director

For the financial year under review, the Remuneration Committee held two (2) meetings. The record of attendance of individual committee members are as follows:

Name of Directors	Number of Meetings Attended
Dato' Mark William Ling Lee Meng (Chairman)	2/2
Pang Kong Chek	2/2
Yeo Hock Huat	2/2

Directors' Remuneration

The remuneration policy of the Company for Executive Directors is structured so as to link reward to corporate and individual performance. As for Non-Executive Directors, the level of remuneration should reflect the level of experience and responsibilities undertaken.

It is the Board's and Remuneration Committee's duty to ensure that the level of remuneration is sufficient to attract and retains the Directors to build the Company successfully. Currently, the Directors are satisfied with their level of remuneration offered by the Company.

The aggregate remuneration to be paid to the Directors of the Company for the financial year ended 31 December 2012 is as follows:

	Salary (RM)	Bonus (RM)	Director Fees (RM)	Benefits In Kind (RM)	Total (RM)
Executive Directors	0	0	72,000	0	72,000
Non-Executive Directors	0	0	226,000	0	226,000
Total	**0**	**0**	**298,000**	**0**	**298,000**

The number of Directors whose remuneration falls within the following bands is tabulated as below:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	3	2
50,001 to 100,000	0	2
100,001 to 150,000	0	0

3. Reinforce Independence

(i) Separation of the Positions of the Chairman and the CEO

The positions of the Chairman and the CEO are held by two different individuals. Mr Yeo Hock Huat is the Chairman whereas Mr Chow Kok Meng, Bert is the Company's CEO, both of them are Executive Directors.

The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

(ii) Tenure of Independent Directors

The Board noted that one of the recommendations of the MCCG 2012 is that the tenure of an independent director should not exceed a cumulative term of nine (9) years unless shareholders' approval is obtained to retain such Director as an Independent Non-Executive Director. Amongst the Board members, none of the Independent Non-Executive Directors have served on the Board for more than nine (9) years.

(iii) Annual Assessment of Independence of Independent Director

The Board, through the Nomination Committee, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the assessment of the independence of the Independent Non-Executive Directors was conducted by the Nomination Committee on 27 February 2013 and the Board is satisfied that all Independent Non-Executive Directors are able to provide check and balance to the Board's decision making process and bring independent and objective judgement to board deliberations.

The Board composition has met the ACE Market Listing Requirements and the MCCG 2012 for a balanced board which is fulfilled with Independent Directors constituting more than one-third of the Board.

(iv) Shareholders' approval for the Continuance in Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director.

The Nomination Committee will assess the independence of the Independent Director based on the assessment criteria developed by the Nomination Committee, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders, where applicable.

4. Foster Commitment

(i) Time Commitment

The Directors observe the recommendation of the MCCG 2012 that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, none of the Directors holds directorships of more than five (5) public listed companies.

The Board meets at quarterly intervals and on other occasions, as and when necessary, to inter-alia approve quarterly results, the Annual Report and budgets as well as to review the performance of the Group, operating subsidiaries and other business development activities. Senior Management, internal auditors, external auditors and/or other professional advisors are invited to attend the Board and Board Committee meetings to advise on relevant agenda items to enable the Board and its Committees to arrive at a considered decision.

A total of five (5) Board meetings were held during the financial year ended 31 December 2012. The details of attendance of the Board members are listed as follows:

Name of Directors	Number of Meetings Attended
Yeo Hock Huat	5/5
Chow Kok Meng, Bert	5/5
Loh Weng Yew	5/5
Yeo Seow Lai	4/5
Dato' Mark William Ling Lee Meng	5/5
Pang Kong Chek	5/5
Dr. Ho Choon Hou	5/5

All Directors have complied with the requirements on minimum 50% attendance at Board meetings as stipulated in the Listing Requirements of Bursa Securities.

The Board meetings for each financial year are scheduled and planned ahead before the commencement of a new financial year. This is to allow the Directors to organise their plans and activities ahead to enable them to attend all the Board meetings which have been scheduled. All the Directors have fully participated in the discussions during the Board meetings. There is no Board dominance by any individual and the Directors are free to express their views and opinions during the Board meetings. In arriving at board decisions, the will of the majority prevails at all times.

The Directors are aware that they must notify the other Board members of their interest in contracts that is in conflict, or in potential conflict with an interest of the Company or its subsidiaries by disclosing the nature and extent of that interest as arise and they do not participate in the deliberations on the matters of which they have a material personal interest, and abstain from voting in such matters.

(ii) Directors' Trainings

The Directors are mindful that appropriate trainings are required from time to time to keep them abreast with the development of the industry as well as comply with the statutory and regulatory requirements.

To ensure that the Directors are competent in carrying out their expected roles and responsibilities, they are provided with the opportunity for training and update from time to time, particularly on relevant new laws and regulations, financial reporting, risk management and investors relation to equip themselves with the knowledge to effectively discharge their duties as Directors.

The Board will assume the onus of determining and overseeing the training needs of their Directors. Board members were also constantly updated by the Company Secretary during the Board meeting on various updates on regulatory and legal development.

During the financial year under review, Dato' Mark William Ling Lee Meng has not attended any training due to his business commitments, both overseas and locally.

Save for the above, the following Directors had attended the following training, seminars conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate government development:-

No.	Name of Director	Course Attended	Date Attended
1.	Yeo Hock Huat	1) NUS-Apex Chinese EMBA	11/06/2011 to 13/02/2013
2.	Chow Kok Meng, Bert	1) Workshop for CEO/Top Management (WsH bizSafe Level 1)	6/1/2012
3.	Loh Weng Yew	1) Making the Most of the Chief Financial Officer Role: Everyone's Responsibility? 2) iAdvisory Clinic: Taxation in China	4/7/2012 10/9/2012
4.	Yeo Seow Lai	1) A words of intelligent investment Insight of your fingertips 2) Capital Markets & Financial Advisory Services	5/9/2012 17&18/10/2012
5.	Pang Kong Chek	1) 2013 Budget & Tax Planning Event	4/10/2012
6.	Dr. Ho Choon Hou	1) Speaker to the PE Asia Forum 2012, Hong Kong 2) Speaker to the Invest in Health - An Asian Perspective	24 & 25/04/2012 17/09/2012

The Directors will continue to undergo other relevant training programmes as appropriate, to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties.

5. Uphold Integrity In Financial Reporting

(i) Financial Reporting

The Board of Directors is responsible to present a balanced and understandable assessment of the Group's position and prospects through the annual financial statements, quarterly and half yearly announcement of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Company's financial statements are drawn up in accordance with the provision of the Companies Act, 1965 and the approved accounting standards in Malaysia.

The Board is responsible to ensure that the financial statements of the Group and its subsidiaries give a true and fair view of the state of affairs of the Group at the end of the financial year and of their operations and cash flows for the financial year then ended. The Audit Committee of the Board assists by scrutinizing the information to be disclosed to ensure accuracy and adequacy. A full Statement of Directors' Responsibility is enclosed in page 25 of the annual report.

(ii) Relationship with Auditors

The Company has established a formal and transparent relationship with the Company's Internal and External Auditors via the Audit Committee who has explicit authority to communicate directly with them.

The Audit Committee meets with the internal and external auditors respectively, to discuss the audit plan, audit findings and the Group's financial statements. The external auditors also meet the Audit Committee at least twice a year without the presence of the Executive Directors and Management. In addition, the external auditors are invited to attend the AGM and to answer the shareholders' questions relating to the audited financial statements which may arise at the AGM.

The Audit Committee takes responsibility to ensure that adequate resources are allocated to the internal auditors to carry out their duties in accordance with the annual audit plan.

(ii) Assessment of suitability and independence of external auditors

The Audit Committee is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

The Audit Committee has reviewed the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors.

The Audit Committee will recommend the re-appointment of the External Auditors to the Board, upon which the shareholders' approval will be sought at the AGM.

6. Recognise and Manage Risks

(i) Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The AC oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

(ii) Internal Audit Function

The Company has outsourced its Internal audit function to a professional services firm namely, Audex Governance Sdn. Bhd. to assist the Audit Committee in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board has also considered the adequacy of internal controls in addressing these risks and recognises that risks cannot be eliminated completely. Nevertheless, with the implementation of an adequate system of internal control, the Directors and Senior Management of the Group would aim to provide reasonable assurance against material misstatements, losses and fraud. The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is set out on page 22 of this Annual Report.

7. Ensure Timely and High Quality Disclosure

(i) Corporate Disclosure Policy and Procedures

The Board shall ensure that all communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The CEO and CFO are responsible for determining materiality of information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of necessary announcement.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

(ii) Leverage on information technology for effective dissemination of information

The Company's website provides all relevant corporate information and it is accessible by the public. The Company's website includes all announcements made by the Company, Annual Reports and Group Financial Highlights.

Through the Company's website, the stakeholders are able to direct queries to the Company.

8. Strengthen Relationship Between Company and Shareholders

(i) Effective communication with Shareholders

The Board acknowledges the importance of accountability to its shareholders and investors. Timely releases of the financial results on a quarterly basis, press releases and announcements provide an overview of the Group's performance and operations to its shareholders.

The annual report of the Company is a key channel of communication with shareholders and investors, which highlights the corporation information and financial highlights of the Group, to facilitate shareholders' easy access to such key information.

The AGM is the principal forum for dialogue with the shareholders. At the AGM, the Chairman and Board members presents the progress and performance of the business and shareholders are encouraged to participate in the question and answer session.

The following are some of the channels used by the Company to disseminate information on a timely basis to the shareholders and the investing public:-

a) Annual Report communicates comprehensive information of the financial results and activities undertaken by Group;
b) Quarterly announcements and corporate disclosures to Bursa Securities are available on the website www.bursamalaysia.com;
c) Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches;

The Board also recognises the need to fully disclose to shareholders all major developments in relation to the Group on a timely basis. Therefore, in addition to the mandatory disclosures requirement by Bursa Malaysia as well as other corporate disclosures, the Company also maintains a website at http://www.mclean.com.sg for access by the public and shareholders.

Where possible and applicable, the Group provides additional disclosure of information on a voluntary basis. The Board believes that on-going communication with shareholders is vital to shareholders and investors to make informed investment decisions.

(ii) Encourage poll voting

At the Second AGM of the Company held on 21 June 2012, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman will ensure that shareholders will be informed of their rights to demand a poll vote at the commencement of the forthcoming AGM.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has substantially complied with the Principles and Recommendations of the MCCG 2012 save for the following Recommendation which the Company has committed to adopt in 2013:-

a) To formalise a remuneration policies and procedures to attract and retain Directors. A remuneration framework would be designed to support the strategies and long-term vision of the Group as well as provide adequate motivational incentive for Directors to pursue the long-term growth of the Group. For the time being, the remuneration packages of Directors take into consideration the performance achievement of individuals against the Company's performance

This statement is made in accordance with a resolution of the Board of Directors dated 26 April 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Code requires that the board of directors of public listed company to identify significant risks, establish and maintain a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets. Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the ACE Market requires directors of public listed companies to include a statement in the annual report on its state on internal control as a group.

Pursuant to this, the Board of Directors ("the Board") of MClean Technologies Berhad ("MClean") is pleased to provide its Statement on Risk Management and Internal Control, which has been prepared with reference to the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers. The statement below outlines the nature and scope of internal control of the MClean Group during the financial year ended 31 December 2012.

Board Responsibility

The Board recognises its overall responsibility for maintaining a sound risk management framework and internal control system and the need to articulating, implementing and reviewing the Company's internal control system. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes are conducted to ensure that the system is viable and robust. Such system covers not only financial controls but also operational and compliance controls.

However, as there are inherent limitations in any system on internal control, this system is designed to manage rather than eliminate all the risks that may impede the achievement of the Group's business objective. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error, fraud or loss.

Risk Management Framework

Key Management staff and Heads of Department are delegated with the responsibility of identifying and managing risks related to their functions/departments. At the periodic management meetings, such risks identified and related internal controls are communicated to Senior Management. In addition, significant risks identified are brought to the attention of the Board at their scheduled meetings.
The Group has put in place the abovementioned risk management framework as an on-going process to assess, identify, evaluate and manage the various types of risks, which might have an impact on the profitable operation of the Group's business.

Internal Audit Function

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system and its compliance with the Group's policies and procedures through independent reviews performed by the internal audit function, which is outsourced to a professional firm. In this respect, the Board through the Audit Committee receives and reviews reports on internal control from its internal audit function.

The outsourced professional services firm reports directly to the Audit Committee. The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and recommendations for improvement for its review at their quarterly meetings.

During the financial year ended 31 December 2012, two reviews had been performed by the outsourced professional services firm on the operations in Singapore and in China.

In addition, follow-up visit were also conduct to ensure that corrective actions have been implemented on a timely manner. Although a number of internal control weaknesses were identified, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report. The costs incurred for the Internal Audit Function for the financial year ended 31 December 2012 were RM66,000.

Other Key Elements of Risk Management and Internal Control

The other key elements of the Group's risk management and internal control system are:

a) The Group has a well defined organisation structure with clear lines of accountability to provide a sound framework in facilitating proper decision making at the appropriate authority levels of Management including matters that require Board's attention and approval.
b) The Executive Directors have closely involved in the management of the business and operations of the Group and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large.
c) Any new business opportunity is reviewed diligently by the Board of Directors, taking into consideration the risks of the new business, return of investment, cash flow position of the Company, profit guarantee and pay-back period.
d) Management meetings are conducted regularly with the Executive Directors, Senior Management and/or Heads of Department in attendance.
e) A comprehensive business planning and budgeting process which establishes plans and targets for the Group, is performed on a periodic basis. The business planning process of the Group determines its business objectives, examines the Group's strengths, weaknesses, opportunities, threats and key business risks of the Group.
f) Internal policies and procedures for key business units of the Group have been established.
g) Certain parts of the Group's operations are ISO 9001:2000 certified. Periodic ISO audits are conducted by external parties so as to ensure compliance with the standards of certification.

Adequacy and Effectiveness of the Group's Risk Management and Internal Control System

The Board had received assurance from the Chief Executive Officer and Chief Financial Officer on 26 April 2013 that the Group's risk management and internal control system are in place for the financial year ended 31 December 2012 and are operating adequately and effectively, in all materials aspects, based on the risk management framework adopted by the Company. The Board is of the view that the risk management and internal control system is satisfactory and has no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

Review the Statement by External Auditors

In accordance to paragraph 15.23 of the ACE Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2012 and reported to the Board that they do not aware that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of the Company.

This statement was approved by the Board of Directors on 26 April 2013.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2012.

The Audit Committee was established on 10 November 2010 and its composition complies with the ACE Market Listing Requirements.

MEMBERS

Dato' Mark William Ling Lee Meng – Chairman / Senior Independent Non-Executive Director

Pang Kong Chek – Member / Independent Non-Executive Director

Yeo Seow Lai – Member / Non-Independent Non-Executive Director

Dr Ho Choon Hou – Member/ Independent Non-Executive Director

ATTENDANCE

During the financial year ended 31 December 2012, a total of five (5) meetings were held and the details of attendance of the AC Members are as follows: -

Name of Directors	Number of Meetings Attended
Dato' Mark William Ling Lee Meng	5/5
Pang Kong Chek	5/5
Dr Ho Choon Hou	5/5
Yeo Seow Lai	4/5

SUMMARY OF TERMS OF REFERENCE

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members; a majority of whom shall be independent directors and all members should be non-executive directors. At least one (1) member must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad.

The terms of office and performance of an audit committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

2. Rights and Authority

In conducting its duties and responsibilities, the Audit Committee shall have the authority to investigate any matter within its terms of reference and to seek full and unrestricted access to information, records and documents relevant to the Group and seek any information it requires from any employee. It shall also have direct communication channels with the External and Internal Auditors, as well as have the authority to engage, consult and obtain independent professional advice whenever it deems fits and able to secure the attendance of other Directors, employees and outsiders with relevant experience and expertise for consultation if it considers necessary.

3. Duties

(a) Risk Management & Internal Control

i) Review the adequacy of and to provide independent assurance to the Board on the effectiveness of the Company's risk management and risk assurance process.

ii) Evaluate the quality and effectiveness of the Company's Internal Control system and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.

iii) Recommend to the Board the Director's Statement on Risk Management and Internal Control and any changes to the said Statement.

(b) Financial Reporting

i) Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Securities, focusing particularly on:

- Any changes in or implementation of accounting policies and practices;
- Significant or material adjustments with financial impact arising from the audit;
- Significant unusual events or exceptional activities;
- Financial decision-making with the presumptions of significant judgments;
- The going concern assumptions;
- The appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards, stock exchange and other regulatory requirements; and
- Compliance with applicable financial reporting standards.

ii) Propose best practices on disclosure in financial results and annual reports of the Company in line with the recommendations set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.

3. **Duties (cont'd)**

(c) External Audit

i) Recommend the appointment or re-appointment of the external auditors and audit fee to your Board, after reviewing the suitability, resources, competency and independence of external auditors and the accounting firm.

ii) Make appropriate recommendations to your Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.

iii) Review and discuss the nature and scope of the external audit strategy and plan for the year.

iv) Review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditor's evaluation of the system of internal control and any other matters the external auditor may wish to discuss (in the absence of Management, if required).

(d) Internal Audit

i) Review the adequacy of the scope, functions, competency, resources and authority of the internal audit function in carrying out its work.

ii) Review the risk-based internal audit plans and programmes.

iii) Ensure co-ordination between the internal and external auditors.

iv) Review the major findings reported by internal audit and follow up on management's implementation of the recommended actions.

v) Annually assess performance of services provided by the internal audit function.

(e) Significant Related Party Transactions

Review and recommend to the Board matters regarding Significant Related Party Transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Company, including any transaction, procedure or course of conduct that raises questions on management integrity.

(f) Other Matters

i) To report to Bursa Securities, if the Audit Committee views that a matter resulting in a breach of the Listing Requirements of Bursa Securities reported by the Audit Committee to the Board has not been satisfactorily resolved by the Board.

ii) To highlight such matters as the Audit Committee considers appropriate or as defined by the Board from time to time.

iii) To announce to Bursa Securities, if there is any related party transactions which exceed the Shareholder Mandate and provide full reason and detailed explanations.

SUMMARY OF ACTIVITIES

In 2012, the Audit Committee carried out its duties in accordance with the terms of reference of the Audit Committee. The activities of the Audit Committee for financial year 2012 are summarized as follows:

- Reviewed the unaudited quarterly results of the Group
- Reviewed the audited financial statements of the Group, focusing particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with accounting standards and other legal requirements;
- Reviewed the Company's process of monitoring potential recurrent related party transactions entered into by the Group;
- Reviewed the internal audit plans and adequacy of coverage;
- Reviewed the external auditors' audit plan, nature and scope of the audit plan;
- Reviewed the external auditors' findings arising from audits and in particular, responses, appropriate action taken by Management.
- Met twice with the external auditors without executive management or Board present; and
- Reviewed and approved the internal audit reports on the Recurrent Related Party Transactions entered by the Company and its subsidiaries for the period from 30 June 2011 to 29 February 2012 prepared by the Internal Auditor.

INTERNAL AUDIT FUNCTIONS

The Company recognised that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. The internal audit function for the Group has been outsourced to an external consultant, Audex Governance Sdn Bhd who will perform an independent review of the Group's key processes and control system in place.

The internal audit activities have been carried out according to the internal audit plan that was approved by the Audit Committee.

The internal audit function shall be independent of the activities or operation it audits and reports directly to the AC. The Internal Auditors shall undertake the audit of the Group's operating units, reviewing the units' compliance to internal control procedures, highlighting weaknesses and making appropriate recommendations for improvement.

This report is made in accordance with the resolution of the Board of Directors dated 26 April 2013.

ADDITIONAL COMPLIANCE INFORMATION

1. STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable; and
- ensured applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been followed.
- Used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose reasonable accuracy at any time on the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

2. SHARE BUY-BACK

The Company has not implemented any share buy-back scheme during the financial year ended 31 December 2012.

3. SANCTIONS AND/OR PENALTIES

There was no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any other relevant authorities during the financial year ended 31 December 2012.

4. MATERIAL CONTRACTS

Other than the recurrent related party transactions of revenue or trading nature as disclosed under related party disclosures set out in Note 28 to the audited financial statements, there were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests which were still subsisting at the end of the financial year or since the end of the previous financial year.

5. VARIATION OF RESULTS

There was no variance of 10% or more between the results for the financial year ended 31 December 2012 and the actual results for the same period previously announced. The Company did not make any release on the profit estimate, forecast or projection for the financial year.

6. UTILISATION OF PROCEEDS

As at the date of this report, the gross proceeds of RM8,008,000 raised from the public issues pursuant to the Listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad has been utilised in the following manner:-

Description	Proposed Utilisation RM'000	Utilised RM'000	Balance Unutilised RM'000
Capital expenditure	2,400	2,400	-
Working capital	3,265	3,265	-
Estimated listing expenses	2,343	2,343	-
Total	**8,008**	**8,008**	**-**

7. PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year ended 31 December 2012.

8. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

A total of 58,700,000 units of five (5)-year 2011/2016 Warrants were issued and none of the warrants were exercised during the financial year ended 31 December 2012.

9. SHARE ISSUANCE SCHEME

The Company has not implemented any share issuance scheme during the financial year ended 31 December 2012.

10. DEPOSITORY RECEIPTS

The Company did not sponsor any American Depository Receipts or Global Depository Receipt during the financial year ended 31 December 2012.

11. CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to play its role as a caring corporate citizen. These initiatives undertaken include providing training and insurance coverage for all our staff and sponsoring customers' charity events. Mclean has also been supporting The Adventist Nursing & Rehabilitation Centre, a registered non-profit voluntary welfare organisation. The Centre believes in provides physiotherapy and rehabilitation to all the unfortunate victims of stroke, head and spinal injury following accidents and also all other chronic neuromuscular disorders.

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	2,400,322	6,504,099

DIVIDENDS

The Directors do not recommend any final dividend for this financial year.

There were no dividend proposed, declared or paid by the Company since the end of previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors in office since the date of last report are as follows:-

Yeo Hock Huat
Chow Kok Meng, Bert
Loh Weng Yew
Pang Kong Chek
Dato' Mark William Ling Lee Meng
Yeo Seow Lai
Dr. Ho Choon Hou

Mr. Loh Weng Yew and Dato' Mark William Ling Lee Meng will retire in accordance with Article 70 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in the shares and warrants of the Company and its related corporations were as follows:-

	Ordinary shares of RM0.25 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Direct interest				
Yeo Hock Huat	21,887,000	-	770,000	21,117,000
Chow Kok Meng, Bert	8,919,999	-	-	8,919,999
Loh Weng Yew	550,000	-	-	550,000
Yeo Seow Lai	600,062	-	-	600,062
Indirect interest				
Yeo Hock Huat *	39,784,004	-	-	39,784,004
Yeo Seow Lai **	21,517,000	-	-	21,517,000

* Deemed interested by virtue of the shareholdings held by his siblings, Yeo Seow Lai (600,062 ordinary shares) and Yeo Lian Cheng (400,000 ordinary shares), shareholdings and his shareholdings in JCS Group Pte Ltd (38,747,942 ordinary shares) pursuant to Section 6A of the Companies Act 1965.

** Deemed interested by virtue of the shareholding held by her siblings, Yeo Hock Huat (21,117,000 ordinary shares) and Yeo Lian Cheng (400,000 ordinary shares) in the Company.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTEREST (CONT'D)

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in the shares and warrants of the Company and its related corporations were as follows:- (cont'd)

	Number of Warrants 2011/2016			
	At 1.1.2012	Granted	Sold	At 31.12.2012
Direct interest				
Yeo Hock Huat	12,181,000	-	-	12,181,000
Chow Kok Meng, Bert	3,959,999	-	-	3,959,999
Yeo Seow Lai	31	-	-	31
Indirect interest				
Yeo Hock Huat *	21,374,002	-	-	21,374,002
Yeo Seow Lai **	12,181,000	-	-	12,181,000

* Deemed interested by virtue of the shareholdings held by his sibling, Yeo Seow Lai (31 warrants) and his shareholdings in JCS Group Pte Ltd (21,373,971 warrants) pursuant to Section 6A of the Companies Act 1965.

** Deemed interested by virtue of the shareholding held by her sibling, Yeo Hock Huat (12,181,000 warrants) in the Company.

By virtue of Yeo Hock Huat, Chow Kok Meng, Bert, Loh Weng Yew and Yeo Seow Lai's direct and indirect interest in the shares of the Company, they are also deemed to have interest in the shares of the Company, they are also deemed to have interest in thr shares of all subsidiary Company to the extent that the Company has an interest under Section 6A of the Company Act 1965.

None of the other Directors in office at the end of financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire any benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 22 and 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of Directors:-

(a) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS

The Auditors, Messrs SJ Grant Thornton have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....
CHOW KOK MENG, BERT

DIRECTORS

....
LOH WENG YEW

Kuala Lumpur
26 April 2013

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on Note 32 on page 66 to the financial statements had been complied with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.
Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

…………………………………………………	…………………………………………………
CHOW KOK MENG, BERT	LOH WENG YEW

Kuala Lumpur
26 April 2013

STATUTORY DECLARATION

I, Loh Weng Yew, being the Director primarily responsible for the financial management of MClean Technologies Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 13 to 66 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Kuala Lumpur in	)	
the Federal Territory this day of	)	
26 April 2013	)	…………………………………………………
		LOH WENG YEW

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MCLEAN TECHNOLOGIES BERHAD
(Incorporated in Malaysia)
Company No: 893631-T

Report on the Financial Statements

We have audited the financial statements of MClean Technologies Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 13 to 65.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company has been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 32 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 2.4.1 to the financial statements, MClean Technologies Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ GRANT THORNTON (NO. AF: 0737)	DATO' N.K. JASANI
CHARTERED ACCOUNTANTS	PARTNER
Kuala Lumpur	CHARTERED ACCOUNTANT
26 April 2013	(NO: 708/03/14(J/PH))

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	GROUP 31.12.2012 RM	GROUP 31.12.2011 RM	GROUP 1.1.2011 RM	COMPANY 31.12.2012 RM	COMPANY 31.12.2011 RM	COMPANY 1.1.2011 RM
ASSETS							
Non-current assets							
Property, plant and equipment	4	13,005,484	12,895,308	11,161,174	-	-	-
Intangible assets	5	1,755,507	1,356,801	782,051	-	-	-
Investment in subsidiary companies	6	-	-	-	23,784,998	30,191,998	30,191,998
Total non-current assets		14,760,991	14,252,109	11,943,225	23,784,998	30,191,998	30,191,998
Current assets							
Inventories	7	2,917,149	1,459,103	597,005	-	-	-
Trade receivables	8	9,500,194	7,829,374	8,688,804	-	-	-
Other receivables	9	1,049,968	1,335,370	924,146	35,465	88,393	77,500
Amount due from a subsidiary company	10	-	-	-	3,905,243	2,793,824	-
Amount due from related parties	11	-	-	333,397	-	-	-
Amount due from a Director	12	-	-	6,014	-	-	-
Fixed deposit with a licensed bank	13	-	195,240	191,869	-	-	-
Cash and bank balances	14	4,653,610	8,434,192	4,264,913	638,992	1,824,884	2
Total current assets		18,120,921	19,253,279	15,006,148	4,579,700	4,707,101	77,502
Total assets		32,881,912	33,505,388	26,949,373	28,364,698	34,899,099	30,269,500
EQUITY							
EQUITY AND LIABILITIES							
Equity attributable to owners							
Share capital	15	29,350,000	29,350,000	25,500,000	29,350,000	29,350,000	25,500,000
Retained earnings/(Accumulated losses)		5,939,546	8,339,868	10,463,384	(10,100,126)	(3,596,027)	(199,131)
Share premium		3,420,082	3,420,082	-	3,420,082	3,420,082	-
Other reserves	16	(15,461,765)	(15,709,934)	(17,073,877)	5,400,400	5,400,400	4,692,000
Total equity		23,247,863	25,400,016	18,889,507	28,070,356	34,574,455	29,992,869
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities	17	650,832	694,153	725,404	-	-	-
Total non-current liabilities		650,832	694,153	725,404	-	-	-
Current liabilities							
Trade payables	18	5,790,483	3,574,674	3,537,359	-	-	-
Other payables	19	3,150,285	3,511,449	2,723,001	294,342	324,644	274,335
Amount due to a subsidiary company	10	-	-	-	-	-	2,276
Amount due to a corporate shareholder	20	-	-	52,075	-	-	-
Amount due to a Director	12	-	-	211,916	-	-	-
Tax payable		42,449	325,096	810,111	-	-	-
Total current liabilities		8,983,217	7,411,219	7,334,462	294,342	324,644	276,631
Total liabilities		9,634,049	8,105,372	8,059,866	294,342	324,644	276,631
Total equity and liabilities		32,881,912	33,505,388	26,949,373	28,364,698	24,899,099	30,269,500

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	21	38,390,882	36,403,915	1,005,025	-
Cost of sales		(31,108,672)	(26,763,152)	-	-
Gross profit		7,282,210	9,640,763	1,005,025	-
Other income		439,731	1,047,175	16,820	211,451
Administration expenses		(9,222,746)	(7,654,393)	(1,019,208)	(1,091,103)
Selling and distribution expenses		(664,958)	(2,406,317)	-	-
Other expenses		(321,105)	(1,837,338)	(6,503,236)	(1,808,844)
Loss before tax	22	(2,486,868)	(1,210,110)	(6,500,599)	(2,688,496)
Tax income/(expense)	23	86,546	(205,006)	(3,500)	-
Loss for the financial year		(2,400,322)	(1,415,116)	(6,504,099)	(2,688,496)
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		248,169	655,543	-	-
Other comprehensive income, net of tax		248,169	655,543	-	-
Total comprehensive loss for the financial year		(2,152,153)	(759,573)	(6,504,099)	(2,688,496)
Loss per share attributable to the owners (sen)					
- basic	24	(2)	(1)		
- diluted	24	-	-		

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	← Non-distributable				→	Distributable	
	Share capital	Merger Deficit	Warrant reserve	Share premium	Currency fluctuation reserve	Retained earnings/ (Accumulated loss)	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Group							
At 1 January 2011	25,500,000	(2,246,256)	4,692,000	-	480,379	10,463,384	18,889,507
Shares issued pursuant to the listing scheme:-							
- Public issue	3,850,000	-	-	4,158,000	-	-	8,008,000
- Warrant issue	-	-	708,400	-	-	(708,400)	-
Listing expenses	-	-	-	(737,918)	-	-	(737,918)
Total comprehensive loss for the financial year	-	-	-	-	655,543	(1,415,116)	(759,573)
At 31 December 2011	29,350,000	(22,246,256)	5,400,400	3,420,082	1,135,922	8,339,868	25,400,016
Total comprehensive loss for the financial year	-	-	-	-	248,169	(2,400,322)	(2,152,153)
At 31 December 2012	29,350,000	(22,246,256)	5,400,400	3,420,082	1,384,091	5,939,546	23,247,863
Company							
At 1 January 2011	25,500,000	-	4,692,000	-	-	(199,131)	29,992,869
Shares issued pursuant to the listing scheme:-							
- Public issue	3,850,000	-	-	4,158,000	-	-	8,008,000
- Warrant issue	-	-	708,400	-	-	(708,400)	-
Listing expenses	-	-	-	(737,918)	-	-	(737,918)
Total comprehensive loss for the financial year	-	-	-	-	-	(2,688,496)	(2,688,496)
At 31 December 2011	29,350,000	-	5,400,400	3,420,082	-	(3,596,027)	34,574,455
Total comprehensive loss for the financial year	-	-	-	-	-	(6,504,099)	(6,504,099)
At 31 December 2012	29,350,000	-	5,400,400	3,420,082	-	(10,100,126)	28,070,356

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
OPERATING ACTIVITIES				
Loss before tax	(2,486,868)	(1,210,110)	(6,500,599)	(2,688,496)
Adjustments for:-				
Amortisation of intangible assets	477,720	142,013	-	-
Depreciation	2,708,507	2,321,884	-	-
Interest income	(21,090)	(67,094)	(16,820)	(63,223)
Impairment loss on investment in subsidiary companies	-	-	6,407,000	-
Listing expenses	-	448,659	-	448,659
Gain on disposal of property, plant and equipment	(873)	-	-	-
Inventories written down	59,509	-	-	-
Reversal of inventories written down	(47,577)	-	-	-
Property, plant and equipment written off	9,173	545	-	-
Bad debts written off	-	1,492	-	-
Unrealised loss/(gain) on foreign exchange	203,077	(503,343)	96,236	(148,228)
Dividend income	-	-	(1,005,025)	-
Operating profit/(loss) before working capital changes	901,578	1,134,046	(1,019,208)	(2,451,288)
Changes in working capital:-				
Inventories	(1,464,427)	(800,858)	-	-
Receivables	(1,532,264)	1,614,414	52,928	(10,893)
Payables	2,015,272	263,787	(30,302)	50,289
Cash generated (used in)/from operations	(79,841)	2,211,389	(996,582)	(2,411,892)
Tax paid	(259,825)	(747,560)	(3,500)	-
Net cash (used in)/generated from operating activities	(339,666)	(1,463,829)	(1,000,082)	(2,411,892)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,889,484)	(3,563,237)	-	-
Proceeds from disposal of property, plant and equipment	4,047	-	-	-
Development cost incurred	-	(510,964)	-	-
Acquisition of intangible assets	(903,673)	-	-	-
Interest received	21,090	67,094	16,820	63,223
Dividend received	-	-	1,005,025	-
Net cash (used in)/from investing activities	(3,768,020)	(4,007,107)	1,021,845	63,223
FINANCING ACTIVITIES				
Proceeds from issuance of share capital	-	8,008,000	-	8,008,000
Advances to subsidiary companies	-	-	(1,207,655)	(2,645,596)
Payment of listing expenses	-	(1,186,577)	-	(1,186,577)
Advances to related companies	-	-	-	(2,276)
Repayment from/(to) Directors	-	(209,069)	-	-
Fixed deposits realised	197,557	-	-	-
Net cash from/(used in) financing activities	197,557	6,612,354	(1,207,655)	4,173,551
CASH AND CASH EQUIVALENTS				
Net changes	(3,910,128)	4,069,076	(1,185,892)	1,824,882
Brought forward	8,434,192	4,264,913	1,824,884	2
Effects of exchange translation differences on cash and cash equivalents	129,546	100,203	-	-
Carried forward	4,653,610	8,434,192	638,992	1,824,884

NOTE TO THE STATEMENTS OF CASH FLOWS

As disclosed in Note 14 to financial statements, deposit amounted to approximately RM14,718 (2011: RM15,105) are placed as security deposit for defective products and hence, are not available for general use

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal places of business of the Group and of the Company are located at 2, Woodlands Sector 1 #01-22, Woodlands Spectrum, Singapore 738068 and 10th Floor, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur respectively. The registered office of the Company is located at 10th Floor, Menara Hap Seng, No 1& 3 Jalan P.Ramlee, 50250 Kuala Lumpur.

The Company is principally an investment holding company. The principal activities of subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 April 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act 1965 in Malaysia. These are the Group's 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.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB").

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.

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.

2.4 Malaysian Financial Reporting Standards (MFRSs)

2.4.1 Adoption of New or Revised Malaysian Financial Reporting Standards (MFRSs)

The accounting policies adopted by the Group and the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by MASB and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company.

2.4.2 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's 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.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 Malaysian Financial Reporting Standards (MFRSs) (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

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.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Estimation uncertainty

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful lives. Management estimated the useful lives of these assets to be within 1 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

A 1.0% (2011:1.0%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 1.1% (2011: 1.7%) variance in the Group's profit for the financial year.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of intangible assets within 3 to 5 years. The carrying amount of the Group's intangible assets as at financial year end is RM1,755,507 (31.12.2011: RM1,356,801 and 1.1.2011: RM782,051). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's loss to change.

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 7 to the financial statements.

The management expects that the expected net realisable value for the inventories would not have material difference from the management's estimates hence it would not result in material variance in the Group's loss for the financial year.

Impairment of loans and receivable

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

If the present value of estimated future cash flows varies by 1.0% (2011 : 1.0%) from management's estimates, the Group's allowance from impairment will increase by 0.6% (2011: 0.7%).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The management expects that the expected provision for income taxes would not have material differences from the management's estimates hence it would not result in material variance in the Group's profit for the financial year.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Development costs

Development costs are capitalised in accordance with the accounting policy in Note 3.3. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of development costs capitalised at the end of the reporting date was RM1,028,310 (31.12.2011: RM1,356,801 and 1.1.2011: RM782,051).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Consolidation

3.1.1 Subsidiaries

A subsidiary is a company in which the Group or the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Basis of consolidation

Merger method

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves. This is not applicable to Techsin Electronics (Wuxi) Co., Ltd. which accounted for under acquisition method.

Acquisition method

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of consolidation (cont'd)

Acquisition method (cont'd)

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.1.3 Business combinations and goodwill

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill in initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposal of and the portion of the cash-generating unit retained.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated deprecation and accumulated impairment loss, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets over their estimated useful lives as follows:-

	Estimated useful lives
Computers	3 years
Plant and machinery	3 – 10 years
Office equipment	1 – 10 years
Motor vehicles	10 years
Renovation	5 – 10 years
Electrical fittings, furniture and textures	5 – 10 years

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment and depreciation (cont'd)

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to a property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing property, plant and equipment, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated assets are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values and useful lives are reviewed, and adjusted as appropriate, at end of reporting period as a change in estimates.

3.3 Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing and write down immediately to their recoverable amount where an indication of impairment exists, in accordance with MFRS 136. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, on the opinion of the Directors, no further future economic benefits are expected to arise.

<u>Computer software</u>

Costs relating to computer software acquired, which are not an integral part of related hardware, are capitalised and amortised on a straight-line basis over their useful life of 3 years.

<u>Customers list</u>

Costs relating to purchased cleanroom assembly services customers list are capitalised and amortised on a straight-line basis over their useful life of 4 years.

<u>Development cost</u>

Development cost relates to the development of new cleaning techniques to penetrate new customers.

Development cost is expensed in the period in which they are incurred except when the costs incurred on development project are recognised as development cost to the extent that such expenditure is expected to generate future economic benefits.

Development cost initially recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development cost 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 5 years.

3.4 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and goods in transit are determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition.

Cost of raw material is determined using the weighted average method and cost of work-in-progress and finished goods include direct materials, labour and an appropriate proportion of manufacturing overheads.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.6 Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

All financial assets are recognised on their trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair values, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each reporting date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

The Group does not have any investments and accordingly, there are no investments to be classified at fair value through profit and loss, held-to-maturity investments or available-for-sale financial assets.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

Loan and receivables include trade and other receivables, related party balances and bank deposits. They are subsequently measured at amortised cost using the effective interest method, less provision nor impaired. If there is objective evidence that the assets has been impaired, the Financial asset is measured at the present value to the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the profit or loss.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short term demand deposits which that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.8 Financial liabilities

The Group's financial liabilities include trade and other payables, related party balances, amount due to a corporate shareholder and amount due to a Director.

Financial liabilities are recognised when the Group become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the profit or loss, if any. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables, related party balances, amount due to a corporate shareholder and amount due to a Director are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

3.9 Leases

<u>Operating leases</u>

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

<u>Where the Group is the lessee</u>

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentive, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

<u>Where the Group is lessor</u>

Rental income from operating leases (net of any incentives given to the lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

3.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, if any, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Income taxes

Current income tax for current and prior period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:-

(i) at the tax rates that are enacted to apply when the related deferred income tax is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

The Group's sale of goods in the People's Republic of China ("PRC") is subjected to value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is capitalised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

3.12 Employee benefit

3.12.1 Pension obligations

The Group contributes to the Central Provident Fund ('CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Group's contributions to CPF are charged to the profit or loss in the period to which the contribution relate.

3.12.2 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of reporting date.

3.12.3 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors are considered key management personnel.

3.12.4 Retirement benefits scheme

Pursuant to the relevant regulations of PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There is no provision under the Scheme whereby forfeited contributions may be used to reduce future contributions.

3.13 Impairment of financial assets

The Group assess at each reporting date whether there is any objective evidence indicating a financial asset might be impaired.

Trade and other receivables and other financial assets carried at amortised cost

The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of financial assets (cont'd)

Trade and other receivables and other financial assets carried at amortised cost (cont'd)

If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and the loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.14 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

3.15 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and value-added tax and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of modules relating to technical assembly services is recognised when the Group has installed the parts into the customers' machines or has delivered the modules to location specified by its customers and the customers have accepted the parts in accordance with the service agreements.

Revenue from the rendering of services is recognised when services are rendered and accepted by customers.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Rental related income are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred.

Dividend income and other income from investments are recognised in profit or loss when right to receive payment is established.

Grant from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grants will be received and the Company will comply with all the attached conditions.

Governments grant receivables are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into the functional currency at rates of exchange closely approximating those ruling at reporting date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial statements of foreign subsidiary companies are translated at year-end exchange rates with respect to assets and liabilities. All resulting translation differences are included in the exchange fluctuation reserve in shareholders' equity. Operating results are translated to Ringgit Malaysia at average exchange rates during the financial year.

On disposal of a foreign entity, the cumulative amount of exchange differences deferred in equity relating to that foreign entity is recognised in profit or loss as a component of gain or loss on disposal. All other foreign exchange differences are taken to the profit or loss in the financial year in which they arise.

3.17 Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.18 Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary company established in the PRC is required to transfer 10% of its profit after tax prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiary company, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

3.19 Warrant reserve

The fair value of the warrants arising from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to share premium account.

3.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the statement of financial position of the Group.

3.21 Equity instruments

Ordinary shares are classified as equity and are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from equity, net of tax, from the proceeds.

3.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27 to the financial statements, including factors used to identify the reportable segments and the measurement basis of segment information.

3.23 Intersegment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are on negotiated basis. These transfers are eliminated on consolidation.

3.24 Dividends

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

4. **PROPERTY, PLANT AND EQUIPMENT**

Group	Motor vehicle	Plant and machinery	Renovation	Office equipment, electrical fittings, and furniture and fittings	Computer	Total
Cost	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Balance at 1.1.2011	31,667	12,649,145	1,302,201	4,072,878	198,585	18,254,476
Additions	38,218	1,772,268	250,928	1,475,008	26,815	3,563,237
Written off	(4,743)	-	-	-	(52,728)	(57,471)
Currency translation differences	5,292	760,180	169,464	93,701	3,457	1,032,094
Balance at 31.12.2011/1.1.2012	70,434	15,181,593	1,722,593	5,641,587	176,129	22,792,336
Additions	-	1,751,787	131,016	849,734	156,947	2,889,484
Disposal	-	(27,206)	-	-	-	(27,206)
Written off	-	-	(6,084)	(4,402)	-	(10,486)
Currency translation differences	(2,072)	(33,219)	(47,898)	130,020	6,089	52,920
Balance at 31.12.2012	68,362	16,872,955	1,799,627	6,616,939	339,165	25,697,048
Accumulated depreciation						
Balance at 1.1.2011	1,296	5,452,888	249,948	1,254,435	134,735	7,093,302
Charge for financial year	11,697	1,614,731	425,584	357,424	28,355	2,437,791
Written off	(4,198)	-	-	-	(52,728)	(56,926)
Currency translation differences	1,362	278,497	111,368	29,296	2,338	422,861
Balance at 31.12.2011/1.1.2012	10,157	7,346,116	786,900	1,641,155	112,700	9,897,028
Charge for financial year	14,120	1,848,121	281,108	512,385	52,773	2,708,507
Disposal	-	(24,032)	-	-	-	(24,032)
Written off	-	-	(507)	(806)	-	(1,313)
Currency translation differences	(467)	100,218	(33,364)	41,641	3,346	111,374
Balance at 31.12.2012	23,810	9,270,423	1,034,137	2,194,375	168,819	12,691,564
Net carrying amount						
31.12.2012	44,552	7,602,532	765,490	4,422,564	170,346	13,005,484
31.12.2011 / 1.1.2012	60,277	7,835,477	935,693	4,000,432	63,429	12,895,308
1.1.2011	30,371	7,196,257	1,052,253	2,818,443	63,850	11,161,174

5. **INTANGIBLE ASSETS**

	GROUP			
Cost	**Development cost RM**	**Customers list RM**	**Software RM**	**Total RM**
At 1.1.2011	782,051	-	-	782,051
Additions	626,871	-	-	626,871
Currency translation differences	98,635	-	-	98,635
At 31.12.2011 / 1.1.2012	1,507,557	-	-	1,507,557
Additions	-	794,852	108,821	903,673
Currency translation differences	(38,625)	9,641	1,320	(27,664)
At 31.12.2012	1,468,932	804,493	110,141	2,383,566
Amortisation:-				
At 1.1.2011	-	-	-	-
Amortisation during the financial year	142,013	-	-	142,013
Currency translation differences	8,743	-	-	8,743
At 31.12.2011 / 1.1.2012	150,756	-	-	150,756
Amortisation during the financial year	292,529	182,166	3,025	477,720
Currency translation differences	(2,663)	2,210	36	(417)
At 31.12.2012	440,622	184,376	3,061	628,059
Carrying amount				
At 31.12.2012	1,028,310	620,117	107,080	1,755,507
At 31.12.2011	1,356,801	-	-	1,356,801
At 1.1.2011	782,051	-	-	782,051

Development cost relates to the development of new cleaning techniques to penetrate new customers.
Included in development cost are the following expenses incurred during the financial year:-

	2012 RM	**2011 RM**
Depreciation	-	115,907
Rental expenses	-	258,959
Staff costs	-	83,318

6. **INVESTMENT IN SUBSIDIARY COMPANIES**

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Unquoted shares, outside Malaysia:-			
At cost	30,191,998	30,191,998	30,191,998
Less: Impairment losses	(6,407,000)	-	-
	23,784,998	30,191,998	3,0191,998

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

A detailed list of subsidiary companies incorporated outside Malaysia is as follows:-

Name of company	% effective equity interest 31.12.2012	31.12.2011	1.1.2011	Principal activities	Country of incorporation
*Techsin Technologies (S) Pte. Ltd. ("Techsin Singapore")	100	100	100	Investment holding and to provide precision cleaning services and assemblies of hard disk drive products	Singapore
*Magnetronics Technology Pte Ltd ("Magnetronics")	100	100	100	Investment holding company and to provide washing, assembling and sorting services for electronic components and sale of electronic components	Singapore
Held by Magnetronics Technology Pte Ltd					
*Mclean Technologies Pte. Ltd.	100	100	100	Provide precision cleaning, assembly services, other related services to hard disk drive and sale of modules relating to technical assembly services.	Singapore
Held by Techsin Technologies (S) Pte. Ltd.					
#Techsin Electronics (Wuxi) Co., Ltd. ("Techsin Wuxi")	100	100	100	Cleanroom injection moulding, production of poly ethelyne bag and mask and to provide precision cleaning and cleanroom assembly sorting services to the hard disk drive and semiconductor industries	People's Republic of China

* Company audited by Foo Kon Tan Grant Thornton LLP, Singapore.

\# Component audit has been carried out by SJ Grant Thornton for the purposes of enabling to form a group opinion.

7. INVENTORIES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Raw materials	1,062,760	433,814	386,712
Finished goods	645,767	1,025,289	191,825
Work-in-progress	1,208,622	-	18,468
	2,917,149	1,459,103	597,005

	2012 RM	2011 RM
Recognised in profit or loss:-		
Inventories recognized in cost of sales	7,530,161	2,973,340
Inventories written down	59,509	-
Reversal of inventories written down	(47,577)	-

The reversal of inventories written down was made during the year when the related inventories were sold above their carrying amount.

8. TRADE RECEIVABLES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade receivables			
- third parties	8,301,019	7,829,374	8,983,385
- corporate shareholder	-	-	55,719
- related party	1,199,175	-	-
	9,500,194	7,829,374	9,039,104
Impairment on doubtful receivables			
Brought forward	-	(350,300)	(864,415)
Current year	-	-	(12,907)
Written off	-	356,003	29,109
No longer required	-	-	476,418
Currency translation differences	-	(5,703)	21,495
Carried forward	-	-	(350,300)
Net trade receivables	9,500,194	7,829,374	8,688,804

The normal trade credit terms granted by the Group to the trade receivables ranging from 30 to 90 days. The Group determines concentration of credit risk by comparing the amount due from each individual customer against the total receivables. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:-

	Group 31.12.2012 RM	%	31.12.2011 RM	%	1.1.2011 RM	%
Top 3 customers	4,520,526	48	3,179,703	41	3,241,790	37

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially customers with a good collection track record with the Group.

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current	6,891,935	5,638,775	4,665,513

(ii) Financial assets that are past due but not impaired

The ageing analysis of trade receivables past due but not impaired is as follows:-

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Past due 0 to 30 days	870,266	861,115	2,370,225
Past due 31 to 60 days	372,370	328,282	1,211,442
Past due more than 60 days	1,365,623	1,001,202	441,624
	2,608,259	2,190,599	4,023,291

The total trade receivables which were past due but not impaired relates to a number of independent customers from whom there is no recent history of default and the Directors expect that they are recoverable.

8. TRADE RECEIVABLES (cont'd)

The normal trade credit terms granted by the Group to the trade receivables ranging from 30 to 90 days. The Group determines concentration of credit risk by comparing the amount due from each individual customer against the total receivables. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:- (cont'd)

(iii) Financial assets that are past due and impaired

The ageing analysis of trade receivables past due and impaired is as follows:-

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Past due more than 60 days	-	-	350,300

Impairment on trade receivables is made on specific debt for which the Directors of the Group are of the opinion that debts are not recoverable.

Currency exposure profile of trade receivables denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	3,706,616	3,046,429	5,116,485

9. OTHER RECEIVABLES

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.1.2011 RM	1.1.2011 RM
Other receivables	386,991	570,477	553,586	-	-	-
Deposits	541,802	391,731	264,558	15,400	-	-
Prepayment	83,700	281,938	1,967	20,065	88,393	-
GST/VAT receivables	37,475	-	-	-	-	-
Prepayment of listing expenses	-	91,224	104,035	-	-	77,500
	1,049,968	1,335,370	924,146	35,465	88,393	77,500

Currency exposure profile of other receivables denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
RMB	75,036	-	-

10. AMOUNT DUE FROM/(TO) A SUBSIDIARY COMPANY

The amount due from/(to) a subsidiary company is non-trade related, unsecured, non-interest bearing and repayable on demand.

Currency exposure profile of amount due from/(to) subsidiary company denominated in currencies other than functional currency of the Company is as follows:-

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	3,905,243	2,793,824	(2,276)

11. AMOUNT DUE FROM RELATED PARTIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposit for purchase of machinery	-	-	333,397

There are no repayment terms and are repayable only when the cash flows of the borrowers permit.

12. AMOUNT DUE FROM/(TO) A DIRECTOR

Amount due from a Director relates to advances for business purposes.

Amount due from/(to) a Director is unsecured, bears no interest and repayable on demand.

13. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposit matures on 1 April 2012 earns interest at an effective interest rate of 0.25% (31.12.2011: 1.0% and 1.1.2011: 1.2%) per annum. The said fixed deposit, which had been withdrawn in July 2012 was pledged to a financial institution for general banking facilities.

14. CASH AND BANK BALANCES

Currency exposure profile of cash and bank balances denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	317,732	1,328,347	1,283,095

Group

Included in the cash and bank balances, there is an amount of approximately RM14,718 (31.12.2011: RM15,105 and 1.1.2011: RM28,077) which serves as security deposit for defective products.

15. SHARE CAPITAL

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	No. of shares	RM	No. of shares	RM	No. of shares	RM
Authorised:-						
Ordinary shares of RM0.25 each						
Created at date of incorporation of RM1.00 each	-	-	-	-	100,000	100,000
Brought forward of RM0.25 each	400,000,000	100,000,000	400,000,000	100,000,000	-	-
Subdivision of shares RM0.50	-	-	-	-	200,000	100,000
Subdivision of shares RM0.25	-	-	-	-	400,000	100,000
Created during the year	-	-	-	-	399,600,000	99,900,000
Carried forward	400,000,000	100,000,000	400,000,000	100,000,000	400,000,000	100,000,000
Issued and fully paid up:-						
Brought forward						
- Magnetronics	-	-	-	-	1,000,000	2,301,900
- Techsin Singapore	-	-	-	-	1	2
	-	-	-	-	1,000,001	2,301,902
Techsin Singapore						
- acquisition of subsidiary company	-	-	-	-	2,400,000	5,643,840
	-	-	-	-	3,400,001	7,945,742
Deemed distribution to the shareholders in pursuant to the Flotation Exercise	-	-	-	-	(3,400,001)	(7,945,742)

15. SHARE CAPITAL (CONT'D)

Ordinary shares of RM0.25 each Brought forward	-	-	-	-	-	-
Brought forward	117,400,000	29,350,000	102,000,000	25,500,000	-	-
Created at date of incorporation of RM1.00 each	-	-	-	-	2	2
Subdivision of shares to RM0.50	-	-	-	-	4	2
Subdivision of share to RM0.25	-	-	-	-	8	2
Public issue	-	-	15,400,000	3,850,000	-	-
Issuance of shares to acquired subsidiary companies	-	-	-	-	101,999,992	25,499,998
Carried forward	117,400,000	29,350,000	117,400,000	29,350,000	102,000,000	25,500,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the company residual asset.

16. OTHER RESERVES

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.1.2011 RM	1.1.2011 RM
Warrant reserve	5,400,400	5,400,400	4,692,000	5,400,400	5,400,400	4,692,000
Currency fluctuation reserve	1,384,091	1,135,922	480,379	-	-	-
Merger deficit	(22,246,256)	(22,246,256)	(22,246,256)	-	-	-
	(15,461,765)	(15,709,934)	(17,073,877)	5,400,400	5,400,400	4,692,000

Warrant reserve

(a) On 12 October 2010, the Company acquired the entire issued and paid-up share capital of Magnetronics for a total purchase consideration of RM18,351,998 which was wholly satisfied through the issuance of 61,999,992 new MClean Shares and the issuance of 30,999,996 warrants at an exercise price of RM0.52 each.

(b) On 12 October 2010, the Company acquired the entire issued and paid-up share capital of Techsin Singapore for a total consideration of RM11,840,000 which was wholly satisfied through the issuance of 40,000,000 new MClean Shares and issuance of 20,000,004 warrants at an exercise price of RM0.52 each.

(c) On 10 May 2011, the Company issued 15,400,000 new MClean Shares with 7,700,000 Free Warrants allotted on the basis of one (1) Free Warrants for every two (2) New MClean Shares at an issue price of RM0.52 per MClean Share.

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

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

No warrants were exercised during the financial year.

As at reporting date, 58,700,000 (31.12.2011: 58,700,000 and 1.1.2011: 58,700,000) warrants remain unexercised.

Exercised Period	:	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 (5^{th}) anniversary of the date of admission of the warrants to the Official List, or if such date is not a Market Day (any day between Monday to Friday, which is not a public holiday and on which Bursa Securities is open for the trading for securities), 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. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purposes.

16. OTHER RESERVES (CONT'D)

Warrant reserve (cont'd)

The salient terms of the warrants are set out as follows (cont'd):-

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.
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.
Voting Rights	:	The warrants do not carry any voting rights in relation to MClean Shares.
Total Issue	:	58,700,000

The fair value of the warrants is estimated using the Trinomial American Model. The fair value of the warrants measured at issuance date and the assumptions are as follows:-

Valuation model	:	Trinomial
Volatility based on	:	Trading and services sector listed on ACE Market
Tenure	:	5 years
Conversion price	:	RM0.52
Volatility rate	:	1.06% and 1.01%
Risk free rate	:	3.84% and 3.98%
Cut-off date	:	29 September 2010 and 9 May 2011
Period of volatility assessment	:	Volatility of trading and services sector listed on ACE Market for the past 5 years
Fair value per warrant (RM)	:	0.092
Number of warrants	:	58,700,000
Warrant reserve (RM)	:	5,400,400

Currency fluctuation reserve

The currency fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Merger deficit

The merger deficit arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation.

17. DEFERRED TAX LIABILITIES

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Brought forward	694,153	725,404	705,536
Transfer (to)/from profit or loss	(59,357)	(43,940)	26,022
	634,796	681,464	731,558
Under provision in respect of prior year	-	-	4,731
Currency translation differences	16,036	12,689	(10,885)
	650,832	694,153	725,404

The balance in deferred tax liabilities is made up of temporary differences arising from:-

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Excess of net carrying amount over tax written down value of qualifying property, plant and equipment	638,316	681,932	715,796
Others	12,516	12,221	9,608
	650,832	694,153	725,404

17. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:-

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unabsorbed capital allowance	161,321	21,998	-
Unutilised tax losses	3,179,088	1,934,951	1,164,324

The unutilised tax losses are available for offset against future taxable profits of the subsidiary company in which those items arose. Deferred tax assets have not been recognised in respect of unutilised tax losses as they may not be used to offset taxable profits of other subsidiary company in the Group.

18. TRADE PAYABLES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables			
- Third parties	5,790,483	3,574,674	3,518,203
- Related parties	-	-	19,156
	5,790,483	3,574,674	3,537,359

Trade payables comprise amounts outstanding for trade purchases. The normal credit terms granted by the trade payables ranging from 30 to 120 days.

Currency exposure profile of trade payables denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	1,675,072	165,671	496,887

The fair value of trade payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statement of financial position to be reasonable approximation of their fair value.

19. OTHER PAYABLES

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.1.2011 RM	1.1.2011 RM
Non-trade payables	673,517	574,933	271,500	2,342	-	-
Amount due to company in which a Director has interest	735,900	755,250	826,932	-	-	-
Accruals of expenses	1,568,067	2,054,131	1,404,301	292,000	324,644	274,355
GST/VAT payables	121,485	22,328	109,788	-	-	-
Advance received	51,316	104,807	110,480	-	-	-
	3,150,285	3,511,449	2,723,001	294,342	324,644	274,355

Amount due to company in which a Director has interest is unsecured, bears no interest and repayable on demand.

Currency exposure profile of other payables denominated in currencies other than the respective functional currency of the Group's entities is as follows:-

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	579,303	-	-
Thai Baht	50,747	-	-

20. AMOUNT DUE TO A CORPORATE SHAREHOLDER

The amount due to a corporate shareholder relates to deposit payable for rental of premises.

21. REVENUE

Revenue of the Group represents invoiced sales to customers for precision cleaning of plastic and metal components and precision plastic injection moulding for components of hard disk drive excluding goods and services tax and value-added tax.

Revenue for the Company consists of dividend income.

22. LOSS BEFORE TAX

Loss before tax has been determined after charging/(crediting), amongst other items, the following:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
- Company's auditors				
- statutory audit	127,000	124,000	127,000	124,000
- others	13,800	13,000	13,800	13,000
- other external auditors				
- current year	159,605	153,868	-	-
- under provision in prior year	(14,839)	-	-	-
Amortisation of intangible assets	477,720	142,013	-	-
Bad debts written off	-	1,492	-	-
Depreciation*	2,708,507	2,321,884	-	-
Directors' emoluments	1,727,086	1,803,909	-	-
Directors' fee				
- current year	298,000	276,822	298,000	228,000
- overprovision in prior period	-	(36,000)	-	(36,000)
Key management personnels' remuneration	601,970	549,378	-	-
Property, plant and equipment written off	9,173	545	-	-
Rental expenses*	2,949,750	2,480,220	-	-
Unrealised loss/(gain) on foreign exchange	203,077	(503,343)	96,236	(148,228)
Inventories written down	59,509	-	-	-
Impairment loss on investment in subsidiary companies	-	-	6,407,000	-
Reversal of inventories written down	(47,577)	-	-	-
Realised loss on foreign exchange	192,026	259,236	-	34,995
Gain on disposal of property, plant and equipment	(873)	-	-	-
Small and medium entity cash grant	(22,934)	-	-	-
Listing expenses	-	448,659	-	448,659
Interest income	(21,090)	(67,094)	(16,820)	(63,223)
Rental income	(224,665)	(514,791)	-	-
Dividend income from subsidiary company	-	-	(1,005,025)	-

* Certain portion of depreciation and rental expenses are included under development cost as disclosed in Note 5 to the financial statements.

The remuneration paid to the Directors and key management personnel is categorised as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive Directors:-				
Salaries and other emoluments	1,644,678	1,745,386	-	-
Defined contribution plan	82,408	58,523	-	-
Fees	72,000	120,822	72,000	72,000
Overprovision in prior period	-	(36,000)	-	(36,000)
Total remuneration	1,799,086	1,888,731	72,000	36,000
Non-executive Directors:-				
Fees	226,000	156,000	226,000	156,000
Key management personnel:-				
Salaries and other emoluments	575,457	528,048	-	-
Defined contribution plan	26,513	21,330	-	-
Total remuneration	601,970	549,378	-	-

23. TAX (INCOME)/EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
In Malaysia				
Current year	3,500	-	3,500	-
Outside Malaysia				
Current year	-	35,096	-	-
(Over)/Underprovision in prior year	(30,689)	213,850	-	-
Deferred tax liabilities	(59,357)	(43,940)	-	-
	(90,046)	205,006	-	-
Total	(86,546)	205,006	3,500	-

Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The numerical reconciliation between the average effective tax rate and the statutory tax rate are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Loss before tax	(2,486,868)	(1,210,110)	(6,500,599)	(2,688,496)
Tax at Malaysia statutory tax rate of 25%	(621,717)	(302,528)	(1,625,150)	(672,124)
Tax effects in respect of:-				
Expenses not deductible for tax	298,690	752,669	1,879,906	672,124
Income not subject to tax	(108,197)	(378,228)	(251,256)	-
(Over)/Under provision in prior years	(30,689)	213,850	-	-
Deferred tax assets not recognized	345,869	185,716	-	-
Utilisation of deferred tax assets on temporary differences not recognized in previous year	-	(31,734)	-	-
Singapore statutory stepped income exemption	(16,192)	(76,887)	-	-
Different tax rates of subsidiary companies in overseas	45,690	(157,852)	-	-
Total tax (income)/expenses	(86,546)	205,006	3,500	-

24. LOSS PER SHARES

Group

(a) The basic loss per share has been calculated by dividing loss for the financial year attributable to ordinary equity holders of the Company of RM2,400,322 (2011: RM1,415,116) to the weighted average number of shares issued during the financial year of 117,400,000 (2011: 111,957,260).

(b) For the warrant-in-issue, a calculation is done to determine the number of shares that could have been acquired at market price (determined based on the average annual share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrant-in-issue. The calculation serves to determine the "unpurchased" shares to be added to the weighted average number of ordinary shares outstanding for the purposes of computing the diluted earnings per share. No adjustments is made to net loss attributable to shareholders for the diluted earnings per share calculation.

There were no diluted earnings per share is presented as the effect is anti-dilutive.

25. EMPLOYEE BENEFITS EXPENSE

	Group	
	2012 RM	2011 RM
Salaries, wages and other emoluments	13,151,813	11,614,586
Defined contribution plan	350,469	301,132
Total staff cost	13,502,282	11,915,718

In prior financial year, total staff cost amounted to RM83,318 has been capitalized in the development cost.

Included in staff costs of the Group is the Directors' remuneration of RM1,727,086 (2011: RM1,803,909), as disclosed in Note 22 to the financial statements.

26. COMMITMENT

(i) Operating lease commitments (non-cancellable)

When the Group is a lessee

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Not later than one year	1,792,196	1,514,216	1,504,478
Later than one year and not later than five years	268,744	882,344	1,154,317
	2,060,940	2,396,560	2,658,795

When the Group is a lessor

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Not later than one year	-	370,345	360,228
Later than one year and not later than five years	-	197,980	208,301
	-	568,325	568,529

(ii) Capital commitment

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Capital expenditure contracted but not provided in the financial statements			
- software	110,141	-	-
- plant and equipment	-	-	1,100,596

27. SEGMENT INFORMATION

(i) Business segment

Management currently identities the Group's plastic injection moulding and precision cleaning as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The following summary describes the operations in each of the Group's reportable segments:-

Plastic injection moulding	:	Precision plastic injection moulding for components of Hard Disk Drive such as filters, media cassettes and trays.
Precision cleaning	:	Precision cleaning of Hard Disk Drive components tray, media cassettes and wafer carriers
Others	:	Investment Holding

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

2012	Plastic injection moulding RM	Precision cleaning RM	Others RM	Elimination RM	Total RM
Revenue:-					
External customers	3,306,438	35,084,444	-	-	38,390,882
Inter segment	-	10,199,369	1,005,025	(11,204,394)	-
Total revenue	3,306,438	45,283,813	1,005,025	(11,204,394)	38,390,882
Results:-					
Segment profit					678,269
Interest income					21,090
Depreciation and amortisation of intangible assets					(3,186,227)
Loss before tax					(2,486,868)

27. SEGMENT INFORMATION (CONT'D)

(i) **Business segment (cont'd)**

2011	Plastic injection moulding RM	Precision cleaning RM	Elimination RM	Total RM
Revenue:-				
External customers	4,228,265	32,175,650	-	36,403,915
Inter segment	-	8,286,808	(8,286,808)	-
Total revenue	4,228,265	40,462,458	(8,286,808)	36,403,915
Results:-				
Segment profit				1,186,693
Interest income				67,094
Depreciation and amortisation of intangible assets				(2,463,897)
Loss before tax				(1,210,110)

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.

(ii) **Geographical information**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	2012		2011	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia*	4,416,990	-	6,853,925	-
Singapore	23,730,016	6,323,460	20,682,927	5,437,841
People's Republic of China	7,298,022	8,437,531	6,754,483	8,814,268
United States of America	138,827	-	966,206	-
Thailand	2,807,027	-	923,071	-
Others	-	-	223,303	-
	38,390,882	14,760,991	36,403,915	14,252,109

* Company's home country

Non-current assets information presented above consist of the following items as presented in the statement of financial position:-

	2012 RM	2011 RM
Intangible assets	1,755,507	1,356,801
Property, plant and equipment	13,005,484	12,895,308
	14,760,991	14,252,109

(iii) **Information about major customers**

Revenue from 2 (2011: 3) major customers amounted to approximately RM17,002,000 (2011:RM18,515,000) arising from sales by the precision cleaning segment.

28. RELATED PARTY DISCLOSURES

(a) The transaction of the Group and Company with the related parties are as follows:-

Group		2012 RM	2011 RM
(i)	Repair and maintenance services charged by related parties	-	35,721
(ii)	Purchase of sundry parts from related parties	-	38,486
(iii)	Purchase of property, plant and equipment from related parties	-	1,498,836
(iv)	Purchases from related parties	-	17,088
(v)	Sale of modules relating to technical assembly services to a related party	1,071,442	-
(vi)	Expenses charged to a related party	35,852	-
Company			
(i)	Dividend received from a subsidiary company	1,005,025	-
(ii)	Loan to subsidiary companies	1,270,904	2,793,824

(b) The remuneration of Directors and other key management personnel are disclosed in Note 22 and 25 to the financial statements.

(c) Outstanding balances arising from related party transactions are disclosed in Note 8, 10, 11, 12, 18, 19 and 20 to the financial statements.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors meets periodically to analyse and formulates measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

At reporting date, the Group's financial instruments mainly consisted of cash and cash equivalents, receivables and payables.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange except as stated below.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

It is the Group's policy to enter into transactions with diverse credit worthy counterparties.

The Group and the Company are exposed to credit risk primarily from trade receivables, intercompany balances and cash and bank balances with financial institutions.

The Group has concentration of credit risk and are disclosed in Note 8 to the financial statements.

Cash is held with financial institutions of good standing.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group and the Company manage its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities.

	Less than 1 year RM	Between 2 to 5 years RM	Total RM
At 31.12.2012			
Group			
Trade payables	5,790,483	-	5,790,483
Other payables	3,150,285	-	3,150,285
	8,940,768	-	8,940,768
Company			
Other payables	294,342	-	294,342

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

	Less than 1 year RM	Between 2 to 5 years RM	Total RM
At 31.12.2011			
Group			
Trade payables	3,574,674	-	3,574,674
Other payables	3,511,449	-	3,511,449
	7,086,123	-	7,086,123
Company			
Other payables	324,644	-	324,644
At 1.1.2011			
Group			
Trade payables	3,537,359	-	3,537,359
Other payables	2,723,001	-	2,723,001
Amount due to a corporate shareholder	52,075	-	52,075
Amount due to a Director	211,916	-	211,916
	6,524,351	-	6,524,351
Company			
Other payables	274,355	-	274,355
Amount due to a subsidiary company	2,276	-	2,276
	276,631	-	276,631

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to movements in market interest rates relates primarily to its fixed deposit held in a financial institution. The effective interest rate are disclosed in Note 13 to the financial statements.

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells its products/services in Singapore and People's Republic of China and transacts in foreign currency mainly US Dollar. As a result, the Group is exposed to movements in foreign currency exchange rates.

The Group monitors its foreign currency exchange risks closely and where appropriate, enters into currency forward contracts to manage currency exposure.

During the financial year, the Group is a party to foreign currency forward contracts totaling USD300,000 (2011: USD500,000) at exchange rates 1 USD:1.2225SGD (2011: 1USD : 1.297SGD). Had these contracts be settled at the reporting date, the effect on the exchange exposure is a decrease in the profit and loss of approximately RM522 (2011: RM2,823).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Currency risk (cont'd)

The Group's currency exposure based on information provided is as follows:-

	2012 USD	2012 THB	2012 RMB	2011 USD	2011 RMB	2010 USD
Financial assets						
Cash and cash equivalents	317,732	-	-	1,328,347	-	1,283,095
Trade receivables	3,706,616	-	-	3,046,429	-	5,116,485
Other receivables	-	-	75,036	-	-	-
	4,024,348	-	75,036	4,374,776	-	6,399,580
Financial liabilities						
Trade payables	(1,675,072)	-	-	(165,671)	-	(496,887)
Other payables	(579,303)	(50,747)	-	-	-	-
Net currency exposure	(2,254,375)	(50,747)	-	(165,671)	-	(496,887)
	1,769,973	(50,747)	75,036	4,209,105	-	5,902,693

Sensitivity analysis

Group

A 5% (2011: 5%) change in Singapore Dollar against the US Dollar, Thai Baht and Renminbi against the US Dollar at the reporting date would have either increased or decreased Group's loss from continuing operations before tax by:

	2012 Profit after tax RM	2012 Equity RM	2011 Profit after tax RM	2011 Equity RM
USD - strengthened 5%	88,000	88,000	210,000	210,000
- weakened 5%	(88,000)	(88,000)	(210,000)	(210,000)
THB - strengthened 5%	(3,000)	(3,000)	-	-
- weakened 5%	3,000	3,000	-	-
RMB - strengthened 5%	4,000	4,000	-	-
- weakened 5%	(4,000)	(4,000)	-	-

Company

The Company's currency exposure based on information provided is as follows:-

	2012 USD	2011 USD	2011 USD
Financial assets			
Amount due from/(to) a subsidiary company/ Net currency exposure	3,905,243	2,793,824	(2,276)

A 5% (2011: 5%) change in Ringgit Malaysia against the US Dollar, at the reporting date would have either increased or decreased Company's loss from continuing operations before tax by:

	2012 Profit after tax RM	2012 Equity RM	2011 Profit after tax RM	2011 Equity RM
USD - strengthened 5%	195,000	195,000	140,000	140,000
- weakened 5%	(195,000)	(195,000)	(140,000)	(140,000)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and the Company at the reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

No fair value had been disclosed as the Group and the Company do not have financial instruments measured at fair value.

31. CAPITAL MANAGEMENT

The Group's and the Company's objective when managing capital are:-

(a) to safeguard the Group's and the Company's ability to continue as a going concern;

(b) to support the Group's and the Company's stability and growth; and

(c) to provide capital for the purpose of strengthening the Group's and the Company's risk management capability.

31. CAPITAL MANAGEMENT (CONT'D)

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statement of financial position.

There were no changes to the Group's approach to capital management during the financial year. The Group is not subject to externally imposed capital requirement.

32. DISCLOSURE OF REALISED AND UNREALISED PROFIT

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of retained earnings or accumulated losses into realised and unrealised on group and company basis in the annual audited financial statements.

The breakdown of retained earnings/(accumulated loss) as at the reporting date prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings/ (accumulated loss) of the Company and its subsidiaries:				
- Realised	5,013,694	7,989,991	(10,003,890)	(2,739,399)
- Unrealised	(853,909)	(1,905,896)	(96,236)	(856,628)
	4,159,785	6,084,095	(10,100,126)	(3,596,027)
Consolidation adjustments	1,779,761	2,255,773	-	-
	5,939,546	8,339,868	(10,100,126)	(3,596,027)

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosures requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Mclean Technologies Berhad ("**the Company**" or "**Mclean**") will be held at Bilik Seraya, Level 4, Seri Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur on Friday, 28 June 2013 at 10.30 a.m. for the following purposes:-

AGENDA

1. To lay the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note A)*

2. To re-elect the following Directors retiring pursuant to Article 70 of the Company's Articles of Association:

   a. Dato' Mark William Ling Lee Meng *(Ordinary Resolution 1)*

   b. Mr Loh Weng Yew *(Ordinary Resolution 2)*

3. To approve the payment of Directors' Fees for the financial year ending 31 December 2013. *(Ordinary Resolution 3)*

4. To re-appoint Messrs SJ Grant Thornton as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 4)*

As Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions with or without modifications:

5. **Authority to Issue Shares** *(Ordinary Resolution 5)*

   "THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

6. **Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature ("Proposed Shareholders' Mandate")** *(Ordinary Resolution 6)*

   "THAT, subject to the Memorandum and Articles of Association of the Company and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into and/or to renew the recurrent related party transactions of a venue or trading nature ("RRPT") as set out in Section 2.1.3 of the Circular to Shareholders of the Company dated 4 June 2013 ("the Circular") with the related parties mentioned therein which are necessary for the Group's day-to-day operations subject further to the following:-

   (a) The transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
   (b) Disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year;

   THAT such approval shall continue to be in force until:

   (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
   (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**the Act**") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
   (c) revoked or varied by resolution passed by the shareholders in a general meeting;

   whichever is the earlier;

   AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate, with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

7. To transact any other ordinary business of which due Notice has been given.

By Order of the Board
PANG CHIA TYNG (MAICSA 7034545)
TEO MEE HUI (MAICSA 7050642)
Company Secretaries
Kuala Lumpur
4 June 2013

NOTES:

1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her shareholding to be represented by each proxy. Save for the authorised and exempt authorised nominee, a proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.

2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her but his / her attendance will automatically revoke the proxy's authority. However, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrar Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. The Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the meeting is 24 June 2013.

EXPLANATORY NOTE

1. Item 1 of the Agenda

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 169(1) of the Act does not require a formal approval of the shareholders and hence this Agenda item is not put forward for voting.

2. Item 5 of the Agenda - Ordinary Resolution 5
Authority to Issue Shares

The Proposed Ordinary Resolution 5 is proposed for the purpose of granting a renewed general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Act to allot and issue up to a maximum of 10% of the issued and paid-up share capital of the Company for the time being (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The renewal of the General Mandate is to provide flexibility to the Company to issue new shares without the need to convene a general meeting(s) to obtain shareholders' approval as to avoid incurring additional cost and time. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for purposes of funding future investment project(s), working capital and/or acquisitions(s).

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 21 June 2012.

3. Item 6 of the Agenda - Ordinary Resolution 6
Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 6, if approved, will authorise the Group to enter into and/or to renew the Recurrent Related Party Transactions of a Revenue or Trading Nature on arms' length basis and on normal commercial terms and which are not prejudicial to the minority shareholders pursuant to the provisions of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad.

Please refer to the Circular to Shareholders dated 4 June 2013 which is despatched togehther with the Annual Report 2012 of the Company.

ANALYSIS OF SHAREHOLDING AND WARRANT HOLDINGS

As at 6 May 2013

Authorised share capital	:	RM100,000,000.00 comprising of 400,000,000 ordinary shares of RM0.25 each
Issued and fully paid-up capital	:	RM29,350,000 comprising of 117,400,000 ordinary shares of RM0.25 each
Class of shares	:	Ordinary shares of RM0.25 each
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	1,101

ANALYSIS OF SHAREHOLDINGS

Holdings	No. of holders	Total holdings	Percentage (%)
1 – 99	1	4	0.00
100 – 1,000	117	101,500	0.09
1,001 – 10,000	495	2,693,893	2.29
10,001 – 100,000	416	16,014,300	13.64
100,001 – less than 5% of issued shares	69	29,805,362	25.39
5% of issued shares and above	3	68,784,941	58.59
TOTAL	**1,101**	**117,400,000**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS

(Based on the Register of Substantial Shareholders)
(Holding 5% or more of the share capital)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
JCS Group Pte Ltd	38,747,942	33.01	-	-
Yeo Hock Huat	21,117,000	17.99	39,748,004 [1]	33.86
Chow Kok Meng, Bert	8,919,999	7.60	-	-

1 Deemed interested by virtue of the shareholdings of his siblings, Yeo Seow Lai and Yeo Lian Cheng, and his shareholdings in JCS Group Pte Ltd pursuant to Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Chow Kok Meng, Bert	8,919,999	7.60	-	-
Loh Weng Yew	550,000	0.47	-	-
Yeo Hock Huat	21,117,000	17.99	39,748,004 [1]	33.86
Dr Ho Choon Hou	-	-	-	-
Pang Kong Chek	-	-	-	-
Dato' Mark William Ling Lee Meng	-	-	-	-
Yeo Seow Lai	600,062	0.51	21,517,000 [2]	18.33

Notes:

1 Deemed interested by virtue of the shareholdings of his siblings, Yeo Seow Lai and Yeo Lian Cheng, and his shareholdings in JCS Group Pte Ltd pursuant to Section 6A of the Companies Act, 1965.

2 Deemed interested by virtue of the shareholdings of her siblings, Yeo Hock Huat and Yeo Lian Cheng.

LIST OF 30 LARGEST SHAREHOLDERS REGISTERED

(Based on Record of Depositories)

No	Name	No. of shares held	Percentage (%)
1	JCS Group Pte Ltd	38,747,942	33.01
2	Yeo Hock Huat	21,117,000	17.99
3	Chow Kok Meng, Bert	8,919,999	7.60
4	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank N.A Singapore	5,627,200	4.79
5	Chen Xujun	2,100,000	1.79
6	Maybank Nominees (Tempatan) Sdn Bhd Lim Kah Eng	1,340,400	1.14

LIST OF 30 LARGEST SHAREHOLDERS REGISTERED (CONT'D)
(Based on Record of Depositories)

No	Name	No. of shares held	Percentage (%)
7	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Eng Tiong	1,053,200	0.90
8	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account for Koh Soe Khon	1,000,000	0.85
9	Advent Future Select Limited	1,000,000	0.85
10	Lim Poh Fong	874,100	0.74
11	Tan Teik Chai	830,000	0.71
12	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Siow Shan	812,600	0.69
13	Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Ang Cheng Lam	660,300	0.56
14	Chiam Kia Chee	657,600	0.56
15	Yeo Seow Lai	600,062	0.51
16	Lee Kim Yeow	595,000	0.51
17	Loh Weng Yew	550,000	0.47
18	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Saw Song Kiang	540,000	0.46
19	Gan Seng Kee	460,000	0.39
20	Tan Geok Bee	450,400	0.38
21	Yeo Lian Cheng	400,000	0.34
22	Ng Kwang Eng	400,000	0.34
23	Ambank (M) Berhad Pledged Securities Account for Wong Ah Yong	380,000	0.32
24	Kho Siak Chung	350,000	0.30
25	Wong Pau Yean	339,000	0.29
26	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Wong Ah Yong	330,000	0.28
27	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Peck Gek	328,900	0.28
28	Maybank Nominees (Tempatan) Sdn Bhd Ang Eng Tiong	326,000	0.28
29	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for Kay Hian Pte Ltd	300,100	0.26
30	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS AG Singapore	300,000	0.26
	TOTAL	**91,389,503**	**77.84**

ANALYSIS OF SHAREHOLDING AND WARRANT HOLDINGS
As at 6 May 2013

WARRANTS

Original warrants issued	:	58,700,000
Exercise price per warrant	:	RM0.52
Exercise period	:	5 years (expiring on 9 May 2016)
Voting rights	:	None
Number of warrants holders	:	491

ANALYSIS OF WARRANT HOLDING

Holdings	No. of holders	Total holdings	Percentage (%)
1 – 99	3	180	0.00
100 – 1,000	194	146,950	0.25
1,001 – 10,000	94	439,000	0.75
10,001 – 100,000	153	6,981,400	11.89
100,001 – less than 5% of issued warrants	44	13,617,500	23.20
5% of issued warrants and above	3	37,514,970	63.91
TOTAL	**491**	**58,700,000**	**100.00**

DIRECTORS' WARRANT HOLDINGS

Directors	Direct Interest		Deemed Interest	
	No. of warrants	%	No. of warrants	%
Yeo Hock Huat	12,181,000	20.75	21,374,002 [1]	36.41
Chow Kok Meng, Bert	3,959,999	6.75	-	-
Loh Weng Yew	-	-	-	-
Dr Ho Choon Hou	-	-	-	-
Pang Kong Chek	-	-	-	-
Dato' Mark William Ling Lee Meng	-	-	-	-
Yeo Seow Lai	31	Negligible	12,181,000 [2]	20.75

Notes:

1 Deemed interested by virtue of the shareholdings of his siblings, Yeo Seow Lai and Yeo Lian Cheng, and his shareholdings in JCS Group Pte Ltd pursuant to Section 6A of the Companies Act, 1965.

2 Deemed interested by virtue of the shareholdings of her siblings, Yeo Hock Huat and Yeo Lian Cheng.

LIST OF 30 LARGEST WARRANT HOLDERS

No	Name	No. of warrants held	Percentage (%)
1	JCS Group Pte Ltd	21,373,971	36.41
2	Yeo Hock Huat	12,181,000	20.75
3	Chow Kok Meng, Bert	3,959,999	6.75
4	Chen Xujun	1,050,000	1.79
5	Ong Teck Loong	1,000,000	1.70
6	Indar Kaur A/P Dan Singh	714,300	1.22
7	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cherng Chiew Sia	700,000	1.19
8	Ng Kim Leng	600,000	1.02
9	Chin Chee Cheong	595,800	1.01
10	Lee Heng Pui	500,000	0.85
11	Aljafri Bin Wan Ahmad	499,000	0.85
12	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kok Ben	457,500	0.78
13	Dzulkhaini bin Mohd Samat	380,000	0.65

LIST OF 30 LARGEST WARRANT HOLDERS (CONT'D)

No	Name	No. of warrants held	Percentage (%)
14	JS Nominees (Tempatan) Sdn Bhd Amara Investment Management Sdn Bhd for Pua Ming Leong	380,000	0.65
15	Chew Ti Ming	350,000	0.60
16	Sim Kian Seng	300,000	0.51
17	Cheng Siew Fong	300,000	0.51
18	Poh Hong Swee	300,000	0.51
19	Low Chin Kong	300,000	0.51
20	Loh Chau Hian	300,000	0.51
21	Lee Soon Fatt	300,000	0.51
22	SJ SEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin May Foong	300,000	0.51
23	Yew Mi Chow	264,000	0.45
24	Liu, Ching-An	256,000	0.44
25	Chan Ah Luan	221,000	0.38
26	Tan Khen Hock	218,700	0.37
27	Chin Chee Cheong	216,800	0.37
28	Maybank Nominees (Tempatan) Sdn Bhd Teoh Teik Seng	205,000	0.35
29	Maybank Nominees (Tempatan) Sdn Bhd Cheng Siew Fong	204,700	0.35
30	Yeoh Weng Suan	203,700	0.35
	Total	**48,631,470**	**82.85**

MCLEAN TECHNOLOGIES BERHAD(893631-T)
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held

*I/We ………
of …….
being a Member(s) of MCLEAN TECHNOLOGIES BERHAD (893631-T), hereby appoint ……………………………………………………..............
NRIC No./ Passport No./Company No. .:………………………………………..of …………………………............………..…………………………
or failing him/her ……........................…………………
NRIC No./ Passport No./Company No. .:…………………………………….….of …………………………………………………………………………..
as *my/our proxy to vote for *me/us on *my/our behalf at the Third Annual General Meeting of the Company to be held at Bilik Seraya, Level 4, Seri Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur on Friday, 28 June 2013 at 10.30 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		**For**	**Against**
1	To re-elect Dato' Mark Willian Ling Lee Meng as Director		
2	To re-elect Mr Loh Weng Yew as Director		
3	To approve the payment of Directors' fees for financial year ended 31 December 2012		
4	To re-appoint Messrs SJ Grant Thornton as Auditors and authorise Director to fix their remuneration		
5	To approve Proposed Authority to Issue Shares		
6	To approve Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Mark either box if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit.

The proportions of our shareholding to be represented by the proxies appointed by the authorized nominee (if appoint more than 1 proxy) are as follows:

First Proxy	%
Second Proxy	%
	100%

In case of a vote taken by a show of hands, the First Proxy shall vote on our behalf.

**Delete if not applicable.*

Dated this....…...... day of ……….…............... 2013

……….….…….…………….………...........………..
Signature of Member/Common Seal

Notes:

1. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her shareholding to be represented by each proxy. Save for the authorised and exempt authorised nominee, a proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.

2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her but his / her attendance will automatically revoke the proxy's authority. However, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrar Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. The Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the meeting is 24 June 2013.

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AFFIX
STAMP

The Share Registrar
MCLEAN TECHNOLOGIES BERHAD
Symphony Share Registrar Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Then fold here

MClean

MClean Technologies Berhad (893631-T)