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

Explanatory notes to the quarterly report and for the financial year ended 31 March 2012

1. Basis of preparation and Changes in Accounting Policies

1.1 Basis of preparation

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

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

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

1.2 Significant Accounting Policies

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

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

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

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

2. Audit Report of the Preceding Audited Financial Statements

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

3. Seasonal or Cyclical Factors

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

4. Unusual Items

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

5. Material Changes in Estimates

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

6. Changes in Debts and Equity Securities

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

7. Dividend Paid

There were no dividends paid during the quarter under review.

8. Segmental Reporting

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

Geographical information		
Revenue information based on the geographical location of customers are as follows:-		
	3 Months Ended	**3 Months Ended**
Location	**31.03.2012**	**31.03.2011**
	RM'000	**RM'000**
People's Republic of China	2,122	1,501
Malaysia	1,181	1,680
Singapore	6,100	4,669
Others	536	219
	9,939	**8,069**

Operating Segment (i) Business segment				
Current quarter ended 31.03.2012	**Plastic Injection Moulding**	**Precision Cleaning**	**Elimination**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue:-				
External customers	879	9,060	-	9,939
Inter segment	-	1,111	(1,111)	-
Total revenue	**879**	**10,171**	**(1,111)**	**9,939**
Results:-				
Segment results	(85)	2,783	-	2,698
Unallocated amounts:				
Other income				129
Other corporate expenses				(2,492)
Profit before tax				**335**

Operating Segment (i) Business segment				
Previous corresponding quarter ended 31.03.2011	**Plastic Injection Moulding**	**Precision Cleaning**	**Elimination**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue:-				
External customers	720	7,349	-	8,069
Inter segment	-	1,878	(1,878)	-
Total revenue	**720**	**9,227**	**(1,878)**	**8,069**
Results:-				
Segment results	72	2,686	-	2,758
Unallocated amounts:				
Other income				197
Other corporate expenses				(3,151)
Profit before tax				**(196)**

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

9. Valuation of Property, Plant and Equipment

The Group does not own any properties or real estate. As at 31 March 2012, all the Group's plant and equipment were stated at cost less accumulated depreciation.

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

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

11. Changes in the Composition of the Group

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

12. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

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

(b) Contingent assets

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

13. Capital Commitment

There were no capital commitments as at 31 March 2012.

14. Review of Performance

<u>Comparison between Current Financial Quarter / Year-to-date Ended 31 March 2012 and Previous Corresponding Quarter / Year-to-date Ended 31 March 2011</u>

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

	3 Months Ended					
	31.03.2012			**31.03.2011**		
	Plastic Injection Moulding	**Precision Cleaning**	**Total**	**Plastic Injection Moulding**	**Precision Cleaning**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	879	9,060	9,939	720	7,349	8,069
Gross (loss)/profit	(59)	2,757	2,698	72	2,686	2,758
Profit/(loss) before tax			335			(196)

<u>Plastic Injection Moulding Division</u>

Revenue from plastic injection moulding was approximately 22% higher than preceding year corresponding quarter and the financial year-to-date.

The plastic injection moulding division incurred a gross loss for the current quarter and the financial year-to-date compared with a gross profit in the previous corresponding quarter and the financial year-to-date mainly due to increase in material costs by RM116,000 and direct labour costs, following the increase in mandatory minimum wages by 40% in the PRC beginning 3rd quarter 2011 onwards.

<u>Precision Cleaning Division</u>

Revenue from precision cleaning was approximately 23% higher than preceding year corresponding quarter/ and the financial year-to-date.

The gross profit margin ("**GP margin**") for the precision cleaning division however decreases from approximately 37% to 31%, due primarily to the following:-

(a) Increase in operational expenses incurred by Techsin Electronics (Wuxi) Co., Ltd., a wholly-owned subsidiary of MClean upon commencement of the operation of its 2nd Plant in July 2011 comprising of the followings:-

- Increase in factory overhead expenses comprising rental of premises, depreciation of plant and equipment, freight inward costs, repair and maintenance costs by RM315,000;

- Amortization of development costs capitalised as part of the relocation of previous operations to the 2nd plant amounting to RM72,000; and

- increase in mandatory minimum wages by 40% in the PRC beginning 3rd quarter 2011 onwards.

(b) A change in terms of trade whereby MClean Singapore now bears the ocean freight charges of approximately RM316,000 for shipment of cassettes from China to Singapore as its inward freight costs (as Cost of Sales) instead of Techsin Wuxi bearing the ocean freight charges as its Distribution Costs (under Selling & Distribution expenses in the income statement).

Overall, the Group reported a profit before tax of RM335,000 from a loss before tax of RM196,000 in the previous quarter and the financial year-to-date notwithstanding reduction in GP margin during the current quarter and the financial year-to-date, mainly due to the following:

(i) higher selling and distribution expenses incurred during the previous quarter and the financial year-to-date as at that point in time, there were additional shipping requirements for washed products by a major customer; and

(ii) weaker USD exchange rate against the RM in the previous quarter and the financial year-to-date. At that point in time, the Group's source of revenue was mainly denominated in USD and as such, the weakening of the USD eroded the Group's profitability.

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

	3 Months Ended					
	31.03.2012			**31.12.2011**		
	Plastic Injection Moulding	**Precision Cleaning**	**Total**	**Plastic Injection Moulding**	**Precision Cleaning**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	879	9,060	9,939	1,221	7,229	8,450
Gross (loss) / profit	(59)	2,757	2,698	(43)	646	603
Profit/(loss)/ before tax			335			(1,675)

<u>Plastic Injection Moulding Division</u>

Revenue from plastic injection moulding was approximately 28% lower than the immediate preceding quarter due to decrease in orders for mould manufacturing. Gross loss margin increased due to the effect of reduce revenue over fixed factory overhead such as rent and depreciation.

<u>Precision Cleaning Division</u>

The Group's revenue from precision cleaning increased by 25% or approximately RM1.8 million in the current financial quarter as compared to the immediate preceding quarter. The lower sales revenue of the immediate preceding quarter was the result of the severe flooding in Thailand affecting the HDD supply chain in South East Asia region.

The Group's GP margin for precision cleaning has also increased from 9% to 31%, due primarily to:

a) increase in Cleanroom assembly services which generally fetch a higher margin

b) decrease in direct operational expenses incurred by Techsin Wuxi through improve efficiency.

Taking into account the abovementioned, the Group registered a profit before tax of approximately RM335,000, as compared to a loss before tax of approximately RM1.68million in the immediate preceding quarter.

16. Future Prospects

According to Independent Market Research Report from Techno Systems Research Co. Ltd from Japan, HDD shipment for 2012 Q1 has increased by about 22.5% as compared to 2011 Q4 due mainly to the partial recovery of the critical component shortages from the flooding in Thailand. This beats the earlier forecasted increase of 11%. Shipment of HDD for 2012 is expected to surpass HDD shipment for 2011 by about 9%. However, the ongoing eurozone debt crisis may affect the global economy which in turn will have an adverse impact on the demand for HDD. If there is a reduction of the global HDD demand, it will certainly affect the performance of the company.

The other challenge for the company remains the rising labour cost both in China and Singapore. The ability to successfully implement productivity improvements programs and semi automation in various processes in a timely manner to reduce headcount are challenges that the company need to overcome which will impact the overall performance of the company.

17. Variance of Profit Forecast and Shortfall in Profit Guarantee

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

18. Tax Expense

The tax expense for the financial quarter and the year-to-date ended 31 March 2012 and 2011 includes the following:

	Current Quarter Ended 31.03.2012 RM'000	Previous Corresponding Quarter Ended 31.03.2011 RM'000
Estimated current tax expense	65	-
Under provision of tax in prior year	1	-
Utilization of deferred tax assets on temporary differences not recognized in previous year	(36)	-
	30	-

The Group's average effective tax rate for the current quarter and financial year to date ended 31 March 2012 of approximately 17.9% was higher than the statutory tax rate of 25% in Malaysia and 17% in Singapore mainly due to profit reported and under provision of tax in prior year by a subsidiary of a Group.

19. Profit on Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and/or properties during the current financial quarter under review and current financial year to date.

20. Purchase and Disposal of Quoted Securities

The Group does not hold any quoted securities and as such there was no purchase or disposal of quoted securities by the Group during the current financial quarter and current financial year to-date under review.

21. (i) Status of Corporate Proposals

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

(ii) Status of Utilisation of Proceeds

The status of utilization of proceeds raised from the Company's initial public offering in 2011 ("**IPO**") as at 31 March 2012 is set out as follows:-

Description	Proposed Utilisation RM'000	Utilised RM'000	Balance Unutilised /(Overutilised) RM'000	Intended Timeframe for utilisation	Deviation	Explanation
Capital expenditure	2,400	1,632	768	Within 2 years from the date of listing	-	N/a
Working capital	3,265	1,823	1,442	Within 2 years from the date of listing	-	N/a
Estimated listing expenses	2,343	2,960	(617)	Within 2 months from the date of listing	-	The deficit will be funded out of the portion allocated for working capital pursuant to the Company's prospectus dated 21 April 2011
Total	8,008	6,415	1,593		-	

The unutilised proceeds raised from the IPO are placed in short-term deposits with licensed financial institution.

22. Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2012.

23. Realised and Unrealised Retained Profits

	Cumulative year to date ended 31/03/2012 RM'000	Cumulative year to date ended 31/12/2011 RM'000
Total retained profits of the Group:		
- Realised	5,957	5,581
- Unrealised	416	503
	6,373	6,084
Consolidated adjustments	2,296	2,256
Total Group retained profits	**8,669**	**8,340**

24. Off Balance Sheet Financial Instruments

As at 31 March 2012, the Group is a party to a foreign currency forward contract of USD500,000 at a rate of SGD1.297. Had the contract been settled at the financial position date, the effect on the exchange exposure is an increase in the profit of RM 51,000.

25. Material Litigation

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

26. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 31 March 2012.

27. Earnings Per Share ("EPS") / Loss Per Share ("LPS")

Basic

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

	1st Quarter Ended		Cumulative Quarter Ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Net profit / (loss) for the period attributable to owners of the parent (RM'000)	305	(196)	305	(196)
Weighted average number of ordinary shares in issue ('000)	117,400	102,000	117,400	102,000
Basic EPS / (LPS) (sen)	0.26	(0.19)	0.26	(0.19)

Diluted

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

	1st Quarter Ended		Cumulative Quarter Ended	
	31.03.2012	**31.03.2011**	**31.03.2012**	**31.03.2011**
Weighted average number of ordinary shares in issue ('000)	176,100	153,000	176,100	153,000
Diluted EPS (sen)	0.17	Not applicable(1)	0.17	Not applicable(1)

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

28. Notes to the Condensed Consolidated Income Statement

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

	Current Quarter Ended 31 March 2012 RM'000	Year-to-date Ended 31 March 2012 RM'000
(a) Interest income	(10)	(10)
(b) Other income including investment income	(119)	(119)
(c) Interest expenses	-	-
(d) Depreciation and amortization	719	719
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted or unquoted investment or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange (gain) or loss	64	64
(j) Gain or loss on derivatives	-	-
(k) Exceptional item	-	-