

Unaudited financial results of MClean and its subsidiaries (the “Group”) for period ended 31 March 2014.

Explanatory notes to the quarterly report and for the financial period ended 31 March 2014

1. Basis of preparation

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

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

2. Significant Accounting Policies

Significant accounting policies and methods of computation adopted for the condensed interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of the new/revised MFRS mentioned below.

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation

On 1 January 2014, the Group adopted the following new and amended MFRSs and IC Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2014:

Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12: Disclosure of Interest in Other Entities: Investment Entities
Amendments to MFRS 127: Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139: Financial Instruments: Recognition and Measurements: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21: Levies

2.2 MFRSs and Amendments to MFRSs Issued but not yet Effective

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

MFRS and Amendments effective for annual periods beginning on or after 1 July 2014

Amendment to MFRS 2: Share-based Payment (Annual Improvements MFRSs 2010-2012 Cycle)
Amendments to MFRS 3: Business Combinations (Annual Improvements MFRSs 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8: Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 13: Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124: Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)

Amendments to MFRS 138: Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendments to MFRS 140: Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

MFRS and Amendments effective for a date yet to be confirmed

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

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

Amendments to MFRS 7: Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009, IFRS 9 issued by IASB in October 2010)

Amendments to MFRS 9: Financial Instruments: Hedge Accounting

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

3. Audit Report of the Preceding Audited Financial Statements

The auditors have expressed an unqualified opinion on the Company’s statutory consolidated financial statements for the financial year ended 31 December 2013 in their report dated 25 April 2014.

4. Seasonal or Cyclical Factors

Our Group’s revenue is not significantly affected by the seasonal or cyclical factors for the quarter under review.

5. Unusual Items

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

6. Material Changes in Estimates

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

7. Changes in Debts and Equity Securities

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

8. Dividend Paid

There were no dividends paid during the quarter under review.

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

9. Segmental Reporting

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

Geographical information		
Revenue information based on the geographical location of customers are as follows:-		
Location	3 Months Ended 31.03.2014 RM'000	3 Months Ended 31.03.2013 RM'000
People’s Republic of China	3,116	2,210
Malaysia	1,313	1,235
Singapore	4,644	6,778
Others	567	984
Inter segment	(1,953)	(1,787)
	7,687	9,420

Current quarter ended 31.03.2014	Technical Assembly Services RM'000	Precision Cleaning RM'000	Elimination RM'000	Total RM'000
Revenue:-				
External customers	-	7,687	-	7,687
Inter segment	-	1,953	(1,953)	-
Total revenue	-	9,640	(1,953)	7,687
Results:-				
Segment results	-	332	-	332
Unallocated amounts:				
Other income				163
Other corporate expenses				(2,660)
Loss before tax				(2,165)

Current quarter ended 31.03.2013	Technical Assembly Services RM'000	Precision Cleaning RM'000	Elimination RM'000	Total RM'000
Revenue:-				
External customers	1,591	7,829	-	9,420
Inter segment	-	1,787	(1,787)	-
Total revenue	1,591	9,616	(1,787)	9,420
Results:-				
Segment results	192	1,081	-	1,273
Unallocated amounts:				
Other income				55
Other corporate expenses				(2,374)
Loss before tax				(1,046)

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

10. Valuation of Property, Plant and Equipment

The Group does not own any properties or real estate. As at 31 March 2014, all the Group’s plant and equipment were stated at cost less accumulated depreciation.

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

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

12. Changes in the Composition of the Group

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

13. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

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

(b) Contingent assets

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

14. Capital Commitment

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

15. Review of Performance

Comparison between Current Financial Quarter / Year-to-date Ended 31 March 2014 and Previous Corresponding Quarter / Year-to-date Ended 31 March 2013

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

	3 Months Ended					
	31.03.2014			31.03.2013		
	Technical Assembly Services	Precision Cleaning	Total	Technical Assembly Services	Precision Cleaning	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue	-	7,687	7,687	1,591	7,829	9,420
Gross profit/(loss)	-	332	332	192	1,081	1,273
Loss before tax			(2,165)			(1,046)

Technical Assembly Services Division

There were no orders in the current quarter and resources have been re-allocated to Precision Cleaning.

Precision Cleaning Division

Revenue from Precision Cleaning for the current quarter was about the same as the preceding year corresponding quarter. Gross profit margin declined from 13.8% to 4.3% due to different product mix. In the current quarter there were less Cleanroom Assembly Services and Component washings as compared to the preceding year corresponding quarter. Both of these are our higher margin services as compared to Cassette and Tray washing.

Overall, the Group reported a loss before tax of RM 2.16 million as compared to a loss before tax of RM 1 million in the previous year corresponding quarter.

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

	3 Months Ended					
	31.03.2014			31.12.2013		
	Technical Assembly Services	Precision Cleaning	Total	Technical Assembly Services	Precision Cleaning	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	7,687	7,687	1,353	8,225	9,578
Gross profit/(loss)	-	332	332	339	1,036	1,375
Loss before tax			(2,165)			(1,572)

Precision Cleaning Division

The Group’s revenue from Precision Cleaning has decreased by 6.5% in the current financial quarter as compared to the immediate preceding quarter.

The GP margin for the precision cleaning division decreased from approximately 12.6% to 4.3% mainly due to a decrease in the higher margin Cleanroom Assembly sales in the current quarter as compared to the immediate preceding quarter.

Overall, the Group registered a loss before tax of RM 2.2 million as compared to a loss before tax of RM 1.57 million in the immediate preceding quarter.

17. Future Prospects

The global demand for hard disk drive is expected to reduce by approximately 3% – 4% year on year. In view of this, we have commenced clean bulk packaging services for a contract manufacturer last year and have secured the first contract and started volume shipment to the contract manufacturer since January 2014. We have also recently secured a second contract for volume shipment commencing in June this year. Presently, we are in advanced negotiations with a contract manufacturer and are expectant to secure a third contract for clean bulk packaging services prior to the end of this year. In view of the above, we expect our clean bulk packaging business segment to grow and contribute positively to the future consolidated earnings of our Group

18. Variance of Profit Forecast and Shortfall in Profit Guarantee

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

19. Status of Corporate Proposals

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

20. Group Borrowings and Debt Securities

The Group’s borrowings as at 31 March 2014 presented as follows:-

	RM’000
Long Term Borrowings	
Unsecured:-	
Term loan	1,064
Short Term Borrowings	
Unsecured:-	
Term loan	906

The total borrowings denominated in foreign and local currency as at 31 March 2014 are: -

	RM’000
Foreign currency – SGD 761,051 @ RM2.5882/SGD	1,970

21. Realised and Unrealised Retained Profits

	Cumulative year to date ended 31/03/2014 RM’000	Cumulative year to date ended 31/12/2013 RM’000
Total retained profits of the Group:		
- Realised	9,268	7,609
- Unrealised	(62)	295
	<hr/> 9,206	<hr/> 7,904
Consolidated adjustments	(7,385)	(3,919)
	<hr/> 1,821	<hr/> 3,985
Total Group retained profits		

22. Off Balance Sheet Financial Instruments

As at 31 March 2014, Group does not have any off balance sheet financial instrument.

23. Material Litigation

There was no pending material litigation from 1 January 2014 up to the date of this quarterly announcement.

24. Dividend Payable

There was no dividend payable or proposed during the current quarter ended 31 March 2014.

25. Loss Per Share

Basic

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

	1st Quarter Ended		Cumulative Quarter Ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Net Loss for the period attributable to owners of the parent (RM'000)	(2,165)	(1,010)	(2,165)	(1,010)
(Loss)/ Profit from discontinued operations for the period attributable to owners of the parent (RM'000)	-	36	-	36
Loss from continuing operations for the period attributable to owners of the parent (RM'000)	(2,165)	(1,046)	(2,165)	(1,046)
Weighted average number of ordinary shares in issue ('000)	117,400	117,400	117,400	117,400
Basic LPS (sen)	(1.84)	(0.86)	(1.84)	(0.86)
Basic-discontinued (sen)	-	0.03	-	0.03
Basic-continuing operations (sen)	(1.84)	(0.89)	(1.84)	(0.89)

Diluted

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

	4th Quarter Ended		Cumulative Quarter Ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Weighted average number of ordinary shares in issue ('000)	176,100	176,100	176,100	176,100
Diluted EPS (sen)	Not applicable ⁽¹⁾	Not applicable ⁽¹⁾	Not applicable ⁽¹⁾	Not applicable ⁽¹⁾

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

26. Notes to the Condensed Consolidated Statement to Comprehensive Income

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

	Current Quarter Ended 31 March 2014	Year-to-date Ended 31 March 2014
	RM'000	RM'000
(a) Interest income	(2)	(2)
(b) Other income including investment income	(162)	(162)
(c) Interest expenses	16	16
(d) Depreciation and amortization	980	980
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted and unquoted investment or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange loss	32	32
(j) Gain or loss on derivatives	-	-
(k) Plant, property & equipment written off	-	-