

## **MCLEAN TECHNOLOGIES BERHAD (Co. No. 893631-T)**

**Type : Announcement**

**Subject : Transaction – (Chapter 10 of Listing Requirements) – Related Party Transaction**

**Description : MCLEAN TECHNOLOGIES BERHAD (Co. No. 893631-T) (‘MClean’ or ‘the Company’)**

**SALE AND PURCHASE AGREEMENT ENTERED INTO BETWEEN DWZ INDUSTRIES SDN BHD (“DWZ”) (A 55%-OWNED SUBSIDIARY OF THE COMPANY) AND MCLEAN TECHNOLOGIES (M) SDN BHD (“MTSB”) (A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY) FOR THE PURCHASE OF ALL THAT PIECE OF FREEHOLD LAND HELD UNDER GERAN 136488, LOT 111435, MUKIM PLENTONG, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR CONTAINING AN AREA MEASURING APPROXIMATELY 1,338 SQUARE METERS (14,402 sq. ft.), TOGETHER WITH ONE UNIT OF SEMI-DETACHED FACTORY WITH MEZZANINE FLOOR, BEARING POSTAL ADDRESS OF NO. 12 JALAN MAJU 1, TAMAN PERINDUSTRIAN CEMERLANG, 81800 ULU TIRAM, JOHOR BY MTSB FROM DWZ**

### **1. INTRODUCTION**

Pursuant to Rule 10.08(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“ACE LR”), the Board of Directors of MCLEAN TECHNOLOGIES BERHAD (Co. No. 893631-T) (“MClean” or “the Company”) wishes to announce that MCLEAN TECHNOLOGIES (M) SDN BHD (“MTSB” or “the Purchaser”), a wholly-owned subsidiary of the Company, has on 31 July 2019 entered into a Sale and Purchase Agreement (“SPA”) with DWZ INDUSTRIES SDN BHD (“DWZ” or “the Vendor”), a 55%-owned subsidiary of the Company, for the acquisition of all that piece of freehold land held under Geran 136488, Lot 111435, Mukim Plentong, District of Johor Bahru, State of Johor containing an area measuring approximately 1,338 square meters (14,402 sq. ft.) (“Land”), together with one unit of semi-detached factory with Mezzanine Floor, bearing postal address of No. 12 Jalan Maju 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor (‘the Building’) (the Land and Building are collectively referred to as “Property”) for a total purchase price of RM2.5 million (exclusive of Sales and Service Tax (“SST”), stamp duty and legal fees) (“Purchase Price”) (“Proposed Acquisition”) and subject to the terms and conditions contained therein.

### **2. BACKGROUND INFORMATION**

#### **2.1 Information on MCLEAN TECHNOLOGIES (M) SDN BHD (“MTSB”)**

MTSB is a private company limited by shares and was incorporated in Malaysia on 10 June 2016. MTSB is principally involved in providing surface treatment and related services such as surface finishing, precision cleaning and packaging services, and having its place of business located at No. 32 & 34 Jalan Maju 5, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor. MTSB is a wholly owned subsidiary of MClean.

#### **2.2 Information on DWZ INDUSTRIES SDN BHD (“DWZ”)**

DWZ is a private company limited by shares and was incorporated in Malaysia on 18 September 1996. The company is principally involved in surface treatment and finishing specialist for electrical and electronic industries, and having its place of business at No. 25 & 27 Jalan Maju 5, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor. DWZ is a subsidiary of MClean.

## 2.2 Information on DWZ INDUSTRIES SDN BHD (“DWZ”)

The directors and shareholders of DWZ are as follows:

<b>Directors</b>		
1. Teoh Kim Guan		
2. Lin King Tee		
3. Yeo Hock Huat		
4. Lim Han Kiau <sup>(i)</sup>		
5. Quek Chin Lai		
<b>Shareholders</b>	<b>Number of Ordinary Shares</b>	<b>% of Shareholding</b>
1. MClean	550,000	55.00
2. Décor Industries Pte Ltd <sup>(i)</sup>	450,000	45.00

Note :

<sup>(i)</sup> Major shareholders of the Company. Please refer to Section 9 of this announcement for further details.

## 2.3 Information on the Factory

DWZ is the registered proprietor of the Property. The Property located within close vicinity at Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor and is currently handling cassette de-labelling and washing services.

The details of the Property, as extracted from the valuation undertaken in 2019 except where indicated specifically, are tabulated as follows:

<b>Item</b>	<b>Description</b>
Land Title No.	Geran 136488
Lot No.	Lot 111435
Tenure of Land	Freehold land
Town of Land	Mukim of Plentong
District	Johor Bahru
State	Johor
Category of Land use	Building (Perusahaan/ Perindustrian)
Postal Address	No. 12 Jalan Maju 1, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor.
Existing use	Office, warehouse and factory
Area of Land (approximately)	1338 square meters (14,402 sq. ft.)
Description of Building	A Single Storey Semi-Detached Factory with Mezzanine Floor

## 2.3 Information on the Factory

Item	Description
Restriction in interest	The land contained in this title is not allowed to be transferred by any means unless the factory building in the Syarat Nyata (1), (2) & (3) below has been commenced in accordance with a plan approved by the relevant Local Authority.
Express Condition	<p>1) The land shall be used as Light Industry and other uses thereof, constructed in accordance with a plan approved by the relevant Local Authority.</p> <p>2) All impurities and pollutants resulting from this activity shall be disposed of / disposed of at such places as the relevant Authority may determine.</p> <p>3) All policies and conditions set out and enforced from time to time by the relevant Authority shall be complied with.</p>
Registered Owner	DWZ Industries Sdn. Bhd. (Co. No. 402648-M)
Encumbrances	Nil
Other Endorsement(s)	Nil
Built-up floor area ("BFA") (approximate)	1,371.20 sq. metres (14,760 sq. ft.)
Age of Building (approximate)	<p>The age of the Building is 12 years and the gross built-up area are as follows:</p> <p>Main Floor Area :869.54 sq. m (9,360 sq. ft.)            Ancillary Floor Area : 501.66 sq. m (5,400 sq. ft.)            Gross Floor Area : 1,371,20 sq. m (14,760 sq. ft.)</p>
Total lettable space available for letting and the occupancy	Own use
Percentage of occupancy	N/A
Net book value (1)	RM2.02 million
Market value (2)	RM2.50 million
Purchase Price (3)	RM2.50 million

### Note:

- (1) Audited as at financial year ended 31 December 2018
- (2) The market value of the Property was valued by MN ASSOCIATES (JOHOR) SDN BHD, Registered Valuers, Real Estate Agents, Licensed Auctioneer, Property Management & Consultants (License No. VE(1) 0143/1) on 28 June 2019 for internal use.
- (3) Also referred to as Purchase Price in the SPA

The Property shall be purchase on “as is where is” basis free from all caveats, liens, charges and encumbrances whatsoever and with vacant possession subject to the category of land use, conditions of title and restrictions-in-interest, express or implied now or hereafter from time to time imposed affecting or relating to the Property and upon the terms and conditions contained in the SPA.

## 2.4 Original cost and date of investment

The original cost and date of investment in the Property are as follows:-

<b>Date of investment</b>	<b>Original cost of investment (RM)</b>
9 November 2009	RM1.35 million

## 3. CONSIDERATION

### 3.1 Basis of justification for arriving at the Purchase Price

The Purchase Price was arrived at on a “willing buyer and willing seller” basis through negotiation between the Vendor and the Purchaser and after considering prevailing market condition.

Notwithstanding the indicative market value of the Property of RM2.5 million as stated in the Comparison Valuation carried out on 28 June 2019, the current soft property market and cautious sentiment in market arising from lackluster economy has resulted in low demand for the Property.

The latest audited net book value of the Property was RM2.02 million as at 31 December 2018.

As such, the Management and the Board were of the view that the Purchase Price of RM2.50 million is fair and reasonable.

The Purchase Price of the Property will be funded in the following manners:

- a) 10% cash deposit of RM250,000.00; and
- b) 90% through external borrowings i.e. financed by a bank loan of 20 years at the interest rate ranges from 4.4% - 4.7%.

### 3.2 Manner of Payment

The Purchase Price is also referred to as Disposal Price particularly under this sub-section and item 4 below and shall be settled by the Purchaser in the following manner:

<b>No.</b>	<b>Description</b>	<b>(RM)</b>
(a)	Upon execution of the SPA, the Purchaser has paid to the Vendor deposit, the receipt of which the Vendor acknowledged (“Deposit”)	175,000
(b)	Deposited with the Purchaser’s Solicitors which shall be remitted to the Director General of Inland Revenue	75,000
(c)	The balance Purchase Price (“Balance Purchase Price”) payable within 90 days from the date of the SPA (“the Completion Period”)	2,250,000

The Completion Date shall be the date of full and final payment of the Balance Purchase Price.

### 3.3 Liabilities to be assumed

Save as disclosed in Section 3.1 and 3.2, MTSB will not be assuming any liabilities (including contingent liabilities) arising from the Proposed Acquisition. MClean may provide corporate guarantee(s) to secure any loan requirements to the Purchaser finance the Building and the development cost thereof, if required.

## 4. SALIENT TERMS OF THE SALE & PURCHASE AGREEMENT

The salient terms as extracted from the SPA are as set out below. All definitions in this section shall have the same meaning as in the SPA. The Vendor, Purchaser and Purchase Price are inter-changeable with DWZ, MTSB respectively.

- (i) The Vendor agrees to sell and the Purchaser agrees to purchase the Property on an as-is where is basis free from all and any charges, assignments by way of securities, liens, prohibitory orders, claims, trusts, caveats, leases, equities and other encumbrances and with vacant possession but subject to all conditions and restrictions of title express or implied affecting the Property and upon the terms and conditions stated therein.
- (ii) The Purchaser has prior to the execution of the SPA seen and inspected the Property and is satisfied with its state and condition.

(iii) Condition(s) Precedent

The Purchaser further acknowledges and confirms that he shall use his best endeavour to obtain the approval from the Johor State Authority ("Approval") within eight (8) months from the date of the SPA.

The Approval shall be deemed to be obtained on the date the original of the Approval is received by the Purchaser's Solicitors and the SPA shall become unconditional on the said day.

(iv) Payment Terms

The Purchaser shall pay the purchase price of RM2,500,000-00 only ("Purchase Price") in the following manner:

- (a) the sum of RM250,000-00 only being the deposit and part payment towards account of the Purchase Price shall be paid to the Vendor upon execution of the SPA; and
- (b) the sum of RM2,250,000-00 being the balance of the Purchase Price ("Balance Purchase Price") shall be paid within 3 months from the date of the SPA becoming unconditional ("Completion Period") to the Purchaser's Solicitors.

In the event that the Purchaser is unable to pay the Balance Purchase Price within the Completion Period, then the Vendor shall automatically without any written notice grant the Purchaser an extension of time of 1 month to pay the same PROVIDED the Purchaser shall pay to the Vendor interest at the rate of 7% on the outstanding Balance Purchase Price on daily basis calculated from the day following the expiry of the Completion Period to the date of full settlement of the Purchase Price.

- (v) The SPA can be rescinded in the event of non-obtainment of the Approval. In addition, the Agreement can also be terminated in the event the Property damaged by fire, government acquisition, default by either parties or non-registration of memorandum of transfer in favour of the Purchaser free from all or any of the Encumbrances for any reason whatsoever.

## **5. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition would provide sufficient space for MTSB to meet the growing surface treatment and precision wash business.

Furthermore, DWZ no longer needs the Property as DWZ's business operations will be consolidated and relocated to its other remaining factories in the vicinity.

The Board was of the view that the Proposed Acquisition will improve the Group's overall business performance.

## **6. EFFECT OF THE PROPOSED ACQUISITION**

### **6.1 Share Capital and Substantial Shareholders' shareholding**

The Proposed Acquisition will not have any effect on the share capital of the Company and the shareholding of the substantial shareholder of the Company.

### **6.2 Net Assets per shares**

The Proposed Acquisition will not have any material effect on the net assets of the MClean Group based on its latest audited consolidated balance sheet as at 31 December 2018.

### **6.3 Earnings per shares**

The Proposed Acquisition will not have any material effect on the Earnings of the Mclean Group for the financial year ending 31 December 2019.

### **6.4 Gearing**

The Proposed Acquisition is not expected to have any significant impact on the gearing of MClean.

## **7. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Acquisition pursuant to paragraph 10.08(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad is 4.28% computed based on the audited financial statement of MClean as at 31 December 2018.

## **8. PROPOSED UTILISATION OF PROCEEDS BY DWZ**

The proceeds of RM2.50 million will be utilized for general working capital purposes of the DWZ.

## 9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

9.1 Save as disclosed below, none of the other Directors, Major Shareholders or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition:

Name of Directors	Direct		Indirect	
	No. of MClean Shares	%	No. of MClean Shares	%
<b>Interested Directors</b>				
Lim Han Kiau	80,000	0.04	56,785,000 <sup>(1)</sup>	31.76
Yeo Hock Huat	26,117,000	14.61	39,748,004 <sup>(2)</sup>	22.23
Yeo Seow Lai	600,062	0.34	26,517,000 <sup>(3)</sup>	14.83
<b>Interested Major Shareholders</b>				
Decor Industries Pte Ltd	56,378,000	31.54	-	-
DGC Holdings Pte Ltd	-	-	56,378,000 <sup>(4)</sup>	31.54
JCS Group Pte Ltd	38,747,942	21.67	-	-

Notes:

- (1) Deemed interested by virtue of his own shareholding in Decor Industries Pte Ltd, and shareholding of his sister (Lim Choon Geok) in MClean, pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his own shareholding in JCS Group Pte Ltd, as well as shareholdings of his siblings (Yeo Seow Lai and Yeo Lian Cheng) in MClean, pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of the shareholdings of her siblings (Yeo Hock Huat and Yeo Lian Cheng) in MClean, pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of its 100% shareholding in Decor Industries Pte Ltd, pursuant to Section 8 of the Act.

Mr. Yeo Hock Huat and Mr. Lim Han Kiau are common directors of both DWZ and MTM. Mr. Yeo Hock Huat is the Executive Chairman and major shareholder of MClean. Mr. Lim Han Kiau is the Chief Executive Officer and major shareholder of MClean. Both directors had declared their interest to the Board of MClean and abstain from all deliberations and voting at Board meetings of MClean, MTSB and DWZ pertaining to the Proposed Acquisition.

Ms. Yeo Seow Lai is an Audit Committee ("AC") and Board member of MClean, sibling of Mr. Yeo Hock Huat. She had abstained from all deliberations and voting at AC & Board meetings of MClean pertaining to the Proposed Acquisition.

Mr. Yeo Hock Huat, Mr. Lim Han Kiau, Ms. Yeo Seow Lai, Decor Industries Pte Ltd, DGC Holdings Pte Ltd and JCS Group Pte Ltd are interested parties in the Proposed Acquisition.

### 9.2 Related Party Transaction

The Proposed Acquisition is a related party transaction pursuant to Rule 10.08 ACE Market Listing Requirement of Bursa Malaysia Securities Berhad.

## **10. STATEMENT BY THE AUDIT COMMITTEE**

The Proposed Acquisition will not be detrimental to the interests of the Minority Shareholders of MClean. The Audit Committee at its meeting held on 31 July 2019, having considered the Proposed Acquisition, including the rationale, benefits and effects, formed the opinion that the related party transaction is:

- i) in the best interest of the Company;
- ii) fair, reasonable, and on normal commercial terms; and
- iii) not detrimental to the interest of the minority shareholders of the Company.

## **11. STATEMENT BY THE BOARD OF DIRECTORS**

The Board (save for the Interested Directors) is of the opinion that Proposed Acquisition is in the best interest of the Company.

The Board of Directors of MClean at its meeting held on 31 July 2019, having considered the Proposed Acquisition, including the rationale, benefits and effects, and having considered the views of the Board Audit Committee, formed the view that the related party transaction is:

- i) in the best interest of the Company;
- ii) fair, reasonable, and on normal commercial terms; and
- iii) not detrimental to the interest of the minority shareholders of the Company.

## **12. PROSPECTS**

The internal restructuring will streamline its operations, to improve management and cost efficiencies to further enhance the corporate direction of MTSB.

## **13. RISKS OF THE TRANSACTION**

There are no foreseeable risk factors involved in the Proposed Acquisition save as below and the Proposed Acquisition is not expected to change the risk profile of MClean Group.

The completion of the Proposed Acquisition is conditional upon, inter-alia, the obligations and covenants of the SPA being satisfied and/ or varied as the case maybe. There can be no assurance that the Proposed Acquisition will not be exposed to risks such as the inability to fulfil the obligations and conditions. If any of the conditions precedent of the SPA is not fulfilled or not waived by the respective parties within the period of time set out in the SPA, the Proposed Acquisition may be delayed or terminated. Nevertheless, the management shall use its best endeavor to ensure every effort is made to satisfy the conditions precedent amongst others in a timely manner.

## **14. TRANSACTIONS WITH RELATED PARTY FOR THE PRECEDING 12 MONTHS**

There has been no related party transaction(s) entered into between MClean, DWZ and MTM and/or persons connected to the related parties during the twelve (12) months preceding the date of this Announcement.

## **15. APPROVAL REQUIRED**

The Proposed Acquisition is not subject to the approval of the shareholders of MClean or any other regulatory authorities.



## **16. ESTIMATED TIME FRAME TO COMPLETE**

Barring any unforeseen circumstances, all the relevant applications to the authorities in relation to the Proposed Acquisition is expected to be completed within three (3) months from the date of SPA or such period as may be extended by the Vendor in its absolute discretion.

## **17. DOCUMENTS FOR INSPECTION**

The SPA and valuation report are available for inspection at the registered office of the Company at Suite 1301, 13<sup>th</sup> Floor, Jalan Tebrau, 80300 Johor Bahru, Johor during normal office hours for a period of one month from the date of this announcement.

This announcement is dated 31 July 2019

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