MCLEAN TECHNOLOGIES BERHAD ("MCLEAN" OR "COMPANY" OR "PURCHASER")

(I) PROPOSED ACQUISITION OF 55% EQUITY INTEREST IN DWZ INDUSTRIES SDN BHD;
(II) PROPOSED DIVERSIFICATION; AND
(III) PROPOSED FREE WARRANTS ISSUE.

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1. INTRODUCTION

On behalf of the Board of Directors of MClean ("**Board**"), TA Securities Holdings Berhad ("**TA Securities**") hereby announces that the Company proposes to undertake the following:

(i) the acquisition of 550,000 ordinary shares of RM1.00 each in DWZ Industries Sdn Bhd ("**DWZ**") ("**DWZ Shares**") ("**Sale Shares**"), representing 55% equity interest in DWZ, for a purchase consideration of RM14,094,500 ("**Purchase Consideration**") to be fully satisfied through the issuance of 56,378,000 new ordinary shares of RM0.25 each in MClean ("**MClean Shares**" or "**Shares**") ("**Proposed Acquisition**");

(ii) the diversification of the business of MClean and its subsidiaries ("**MClean Group**") to include the provision of surface finishing of metal and non-metal parts ("**Surface Finishing**") for electrical and electronic ("**E&E**") industries as well as other industries ("**Proposed Diversification**"); and

(iii) free warrants issue of up to 42,264,000 warrants ("**New Warrants**") on the basis of six (6) New Warrants for every twenty five (25) existing Shares held by the shareholders of MClean ("**Proposed Free Warrants Issue**").

(collectively referred to as the "**Proposals**").

2. PROPOSED ACQUISITION

2.1 Background Information

On 10 April 2015, TA Securities had announced on behalf of the Board that the Company had entered into a Memorandum of Understanding ("**MOU**") with Decor Industries Pte Ltd ("**Decor**" or "**Vendor**") in relation to the Proposed Acquisition.

On 5 June 2015, the Company entered into a conditional share sale agreement ("**SSA**") to acquire 550,000 DWZ Shares from Decor for the Purchase Consideration of RM14,094,500 to be fully satisfied through the issuance of 56,378,000 new MClean Shares ("**Consideration Shares**") to the Vendor at an issue price of RM0.25 each.

The DWZ Shares shall be acquired free from all charges, liens, pledges, trust and other encumbrances and with all rights, benefits and entitlements accruing or attaching thereto.

Upon completion of the Proposed Acquisition, DWZ will become a 55%-owned subsidiary of MClean, with the Vendor holding the remaining 45% equity interest in DWZ.

The Vendor has also provided a Profit Guarantee (as defined and set out in Section 2.2.4 of this announcement) to the Purchaser in respect of DWZ and its wholly-owned subsidiary, DWZ Industries (Johor) Sdn Bhd ("**DWZJ**") (collectively referred to as "**DWZ Group**") future financial performance.

2.2 Salient terms of the SSA

The salient terms and conditions of the SSA include, *inter-alia,* the following:

2.2.1 Conditions precedent

(a) The sale and purchase of the Sale Shares shall be conditional upon the fulfillment of the following within four (4) months of the date of the SSA or such other period as the parties may mutually agree in writing:

(i) the net assets of the DWZ Group as evidenced by the latest management account of DWZ Group, of which shall be prepared and dated within two (2) months preceding the completion date, shall not be less than RM30,000,000;

(ii) the Purchaser obtaining the approval of its shareholders in a general meeting for the acquisition of the Sale Shares and the issuance of the Consideration Shares to the Vendor;

(iii) the Purchaser obtaining the approval of its shareholders in a general meeting for the Proposed Diversification as a result of the acquisition of the Sale Shares;

(iv) the Vendor and the Purchaser obtaining the approval of their respective boards of directors for the disposal and acquisition of the Sale Shares, respectively;

(v) the Purchaser obtaining the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation of the Consideration Shares;

(vi) the Vendor informing the Ministry of International Trade and Industry Malaysia in writing of the transfer of ownership of the Sale Shares;

(vii) the execution of a shareholders' agreement between the Vendor and the Purchaser for the purpose of governing their relationship as shareholders of DWZ;

(viii) the execution of a stakeholder agreement between the Vendor, Purchaser and the stakeholder to be appointed by the Purchaser in relation to the Consideration Shares; and

(ix) if applicable, the parties obtaining such other requisite consents and approvals from the government and regulatory bodies for the purpose of the transfer of the Sale Shares contemplated in the SSA.

(collectively, referred to as "**Conditions Precedent**")

(b) The Purchaser shall do all such necessary acts and deeds upon the execution of the SSA such that its shareholders' general meeting shall be convened at the earliest possible time to obtain the approval set out in Sections 2.2.1(a)(ii), 2.2.1(a)(iii) and 2.2.1(a)(v) above. The relevant party shall, as soon as possible from the date of the SSA or such other date as may be agreed upon by the parties, apply to relevant regulatory authorities for its approval/consent and shall forthwith notify the other parties in writing upon receipt of notification of the approval or rejection, as the case may be, from the relevant regulatory authorities. The parties covenant and undertake with each other to provide all information that shall be required by the relevant regulatory authorities.

(c) In the event that the Conditions Precedent are not fulfilled within the period stipulated in Section 2.2.1(a) above, the SSA shall be null and void and of no further force and effect with neither party having any rights and obligations against the other save and except for any antecedent breaches.

(d) The SSA shall become unconditional on the date of which the last of the Conditions Precedent is fulfilled. For the purpose of this Section 2.2.1(d), the Purchaser shall through the Purchaser's solicitors, notify the Vendor of the fulfillment of the Conditions Precedent within three (3) business days of such fulfillment.

2.2.2 Completion

(a) The Purchase Consideration for the Sale Shares shall be satisfied in full within fourteen (14) business days from the shares transfer date, by the allotment of the Consideration Shares at the issue price each credited as fully paid-up and ranking *pari passu* in all respects with the existing shares of the Purchaser.

(b) The Purchaser and Vendor acknowledge that the Purchase Consideration was arrived on a willing-buyer willing-seller basis, based on six (6) times the Average Profit Guarantee (as defined in Section 2.5 of this announcement).

(c) On the shares transfer date, the Vendor shall complete the transfer of the Sale Shares at a place to be mutually agreed by the parties, failing which, it shall be held at the office of the Purchaser by the delivery of:

(i) the original share certificates of the Sale Shares;

(ii) the valid and registrable memoranda of transfer of the Sale Shares duly executed by the Vendor in favour of the Purchaser together with the relevant stamping proforma;

(iii) the resolution of the directors of DWZ approving the transfer of the Sale Shares in favour of the Purchaser;

(iv) the resolution of the directors of the Vendor approving the transfer of the Sale Shares to the Purchaser;

(v) if required, all the statutory and account books of DWZ, invoices, common seal and all other documents relating to DWZ;

(vi) all documents of title, if any, pertaining to the assets of DWZ and all the necessary authorisations as shall be necessary so as to enable the Purchaser to obtain physical possession of the assets of DWZ; and

(vii) such waivers, consents or other documents as may be required to give a good title to the Sale Shares and to enable the Purchaser or its nominee(s) to become the registered owner(s) of the Sale Shares.

(d) The Purchaser shall cause the Consideration Shares to be issued and allotted to the stakeholder, in accordance with the terms as stipulated in the SSA, within fourteen (14) business days from the date of the exchange of the documents specified in Section 2.2.2(c) above, and shall also forward to the Vendor the certified true copies of all the approvals as stipulated in Section 2.2.1(a) above, to be obtained or fulfilled by the Purchaser. For the purpose of the SSA, the allotment and issuance of all the Consideration Shares to the stakeholder shall be deemed full satisfaction of the Purchase Consideration by the Purchaser to the Vendor.

(e) The Purchaser shall procure the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities within seven (7) business days from the date of the issuance and allotment of the Consideration Shares.

2.2.3 Default

(a) In the event that any party shall:

(i) neglect or by wilful default fail or refuse or be unable to complete this transaction in accordance with the provisions in the SSA; or

(ii) subject to Section 2.2.3(d) below, materially breach any of the provisions of the SSA;

the party not in breach of the SSA ("**Non Defaulting Party**") shall be entitled at its absolute discretion to elect either to:

(aa) give termination notice to the party in default and if the party in default fails to remedy the breach(es) within fourteen (14) business days of receipt of the termination notice, the Non Defaulting Party may without further reference to the party in default terminate the SSA, in which event the provisions as prescribed in Sections 2.2.3(b) and 2.2.3(c) below shall apply and thereafter the SSA shall be null and void and the parties shall have no further claims against each other save and except for any antecedent breaches; or alternatively (bb) complete the SSA, in which case the remedy of specific performance of the SSA under the Specific Relief Act, 1950 shall be available to the Non Defaulting Party without any prejudice to that party's right or rights to claim against the party in default any damages, losses, costs, expenses or outgoings whatsoever arising from or in connection with the events of Sections 2.2.3(a)(i) and/or 2.2.3(a)(ii).

(b) In the event that the SSA is terminated in accordance with Section 2.2.3(a)(aa), the party in default shall, within fourteen (14) business days from the date after the expiration of the termination notice, pay to the Non Defaulting Party all the professional fees, disbursements and expenses incurred and paid or payable by the Non Defaulting Party in relation to or in connection with the SSA as evidenced by invoices and receipts. In the event that the party in default fails to pay any of the aforesaid monies within the said fourteen (14) business day period, then the party in default shall be further liable to pay interest on any amount remaining unpaid at the end of the said fourteen (14) business day period at the rate of eight percent (8%) per annum from the end of the said fourteen (14) business day period until the date of actual payment of the outstanding amount.

(c) Simultaneously with the events of Section 2.2.3(b), the Purchaser shall return all documents and things forwarded by the Vendor in relation to the SSA, save and except where the Purchaser requires the same for application for refund of any stamp duty paid pursuant hereto, in which case the documents and things shall be returned as soon as reasonably possible.

(d) Notwithstanding any other provision to the contrary as contained in the SSA, in the event the sale and purchase transaction contemplated in the SSA has been completed in accordance with the terms and conditions contained in the SSA, the parties shall not be entitled to terminate the SSA by reason of any breach of any of the terms of the SSA but without prejudice to any other remedies which the parties may have against each other.

2.2.4 Profit guarantee

(a) The Vendor guarantees that DWZ Group shall achieve not less than the following amount of audited profits after tax for the following financial years ("**Profit Guarantee**"):

Financial year ending		Profit after tax
31 December 2015 ("**First Guaranteed Period**")	:	Ringgit Malaysia Three Million and Nine Hundred Thousand (RM3,900,000.00) only ("**First Guaranteed Amount**"); and
31 December 2016 ("**Second Guaranteed Period**")	:	Ringgit Malaysia Four Million Six Hundred and Forty Thousand (RM4,640,000.00) only ("**Second Guaranteed Amount**").

(collectively, First Guaranteed Period and Second Guaranteed Period are referred to as "**Profit Guaranteed Period**")

(b) In the event that the DWZ Group fails to achieve the amount under the Profit Guarantee for either First Guaranteed Period or Second Guaranteed Period or both, the Vendor shall, on demand from the Purchaser, make payment to the Purchaser within twenty one (21) business days of such demand, the amount equivalent to fifty five per centum (55%) of the shortfall between the actual audited after tax profits of the DWZ Group for the relevant financial year and the amount under the Profit Guarantee of the said financial year ("**Shortfall Amount**"). In the event the DWZ Group suffers a loss for any of the said financial years, the Vendor shall in addition to the Shortfall Amount, pay to the Purchaser, the amount equivalent to the fifty five per centum (55%) of the loss suffered for that particular financial year ("**Loss Amount**"). The Purchaser shall not make any demand until and unless the certificate referred to in Section 2.2.4(d) below shall have first been issued.

(c) All the Shortfall Amount and Loss Amount payable by the Vendor to the Purchaser pursuant to Section 2.2.4(b) above, shall be settled either:

(i) by cash;

(ii) proceeds from the sale of the Consideration Shares; or

(iii) by cash and proceeds from the sale of the Consideration Shares.

and payment of the amount shall be in full satisfaction of the Vendor's obligations in respect of the Profit Guarantee.

(d) The certificate issued by the auditors for the time being of DWZ as to any Shortfall and/or Loss Amount referred to in Section 2.2.4(b) shall, save for any manifest errors, be conclusive and binding on the Vendor.

(e) For the avoidance of doubt, any surplus of profits after tax in excess of the Profit Guarantee amount for the First Guaranteed Period shall not be carried forward for the computation of the DWZ Group's profit for the Second Guaranteed Period. The computation of the profit shall exclude profit derived from business transaction between DWZ and its subsidiary.

(f) In the event the DWZ Group achieves at least ninety five per centum (95%) of the First Guaranteed Amount for the First Guaranteed Period, the parties agree that the stakeholder is authorised and shall release half of the total Consideration Shares held in the escrow account to the Vendor and in the event the DWZ Group achieves at least ninety five per centum (95%) of the Second Guaranteed Amount for the Second Guaranteed Period, the stakeholder shall release the remaining half of the total Consideration Shares to the Vendor.

(g) The provisions of Section 2.2.4 shall survive the completion of the sale and purchase transaction contemplated in the SSA and continue to have full force and effect for so long as may be required to give effect to the Profit Guarantee upon the terms and conditions contained in the SSA. For the avoidance of doubt, the Profit Guarantee shall immediately lapse upon DWZ Group achieving the audited after tax profits under the Profit Guarantee at any time during the financial year thereunder.

2.3 Information on DWZ

DWZ was incorporated in Malaysia on 18 September 1996 under the Companies Act, 1965 (“**Act**”) as a private limited company. DWZ is principally involved in the business of Surface Finishing for E&E industries. DWZ has a wholly-owned subsidiary, namely DWZJ which is principally involved in the same business as DWZ.

As at 4 June 2015, being the latest practicable date prior to the date of this announcement (“**LPD**”), DWZ has an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, all of which have been issued and fully paid-up.

The directors of DWZ are Lim Han Kiau, Teoh Kim Guan, Ng Ah Kiat, Lim King Tee, Lim Choon Geok and Lim Min Han.

Further information on DWZ Group is set out in **Appendix I** of this announcement.

2.4 Information on the Vendor

Decor was incorporated in the Republic of Singapore (“**Singapore**”) on 11 June 1987 under the Companies Act of Singapore. Decor is principally involved in the business of providing electroplating and metal precision engineering.

As at the LPD, Decor has an issued and paid-up share capital of SGD2,800,000 comprising 2,800,000 ordinary shares (“**Decor Shares**”).

The directors of Decor are Kam Kian Poh, Lim Han Kiau, Ng Ah Kiat and Chua Chee Tiong.

Decor is a wholly-owned subsidiary of DGC Holdings Pte Ltd (“**DGC**”), which was incorporated in Singapore on 8 March 2002 under the Companies Act of Singapore. DGC is principally an investment holding company and supplier of computer parts and water filters. As at the LPD, DGC has an issued and paid-up share capital of SGD4,000,000 comprising 4,000,000 ordinary shares (“**DGC Shares**”). The directors of DGC are Lim Han Kiau and Chua Chee Tiong.

The shareholders of DGC are as follows:

Shareholders	**Nationality**	**No of DGC Shares held**	**%**
Kam Kian Poh	Singaporean	777,600	19.44
Quek Chin Lai	Singaporean	250,000	6.25
Lim Han Kiau	Singaporean	1,919,600	47.99
Lim Han Sin	Singaporean	389,200	9.73
Ng Ah Kiat	Singaporean	264,800	6.62
Teoh Kim Guan	Malaysian	292,800	7.32
Chua Chee Tiong	Singaporean	106,000	2.65
	Total	**4,000,000**	**100.00**

2.5 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis between the Purchaser and the Vendor after taking into consideration:

(i) the Profit Guarantee;

(ii) the net assets ("**NA**") of DWZ Group; and

(iii) the earnings potential and prospects of DWZ Group (as set out in Section 6.6 of this announcement).

The Purchase Consideration represents a price-to-earnings ratio ("**PER**") of 6.00 times (based on the average Profit Guarantee per annum for the Profit Guarantee Period ("**Average Profit Guarantee**")) and a price-to-book ratio ("**PBR**") of approximately 0.85 times (based on the unaudited NA of DWZ Group as at 31 December 2014), as illustrated below:

	Based on 100% equity interest in DWZ	**Based on 55% equity interest in DWZ**
Purchase Consideration	Not applicable	RM14,094,500
Profit Guarantee	RM8,540,000	RM4,697,000
Average Profit Guarantee	(3,900,000 + 4,640,000) / 2 years = RM4,270,000	RM2,348,500
Unaudited NA of DWZ Group as at 31 December 2014	RM30,070,229	RM16,538,626
PER (times)	Not applicable	RM14,094,500 / RM2,348,500 = 6.00
PBR (times)	Not applicable	RM14,094,500 / RM16,538,626 = 0.85

Upon completion of the Proposed Acquisition, DWZ will be a 55%-owned subsidiary of MClean.

The table below sets out the PER and PBR of companies listed on Bursa Securities that the Board deems to be broadly comparable ("**Comparable Companies**") to the DWZ Group by virtue of their involvement in the surface treatment industry. For this reason, MClean is included in the analysis. However, it should be noted that there are no companies listed on Bursa Securities that are exactly similar or directly comparable to DWZ Group in terms of composition of business, scale of operations, track record and future prospects.

The PER and PBR as at the LPD are summarised below for information purpose:

Comparable Companies

Comparable Companies	Principal activities	Earnings/ (Losses) per share	Closing price as at the LPD#	NA per share attributable to owners ^	PER	PBR
		(RM)	(RM)	(RM)	(times)	(times)
Frontken Corporation Berhad (financial year ended ("**FYE**") 31 December 2014)	Investment holding and provision of management services to its subsidiaries, which one engaged in provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works, business of turbo machinery technical engineering services, provision of cleaning of specialised equipment for semiconductor devices, integrated circuits and components, research and development of semiconductor cleaning technology, procurement of materials, equipment consumable parts and engineering services, provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor – Liquid Crystal Display) and semi-conductor industries, and general contractors and process and individual plant engineering services.	0.0186	0.270	0.2045	14.52	1.32
MClean (FYE 31 December 2014)	The MClean Group is principally involved in provision of precision cleaning, washing, assembly services and other related services to the hard disk drive ("**HDD**") and semiconductor industries.	(0.0476)	0.200	0.1464	*N/A	1.37
				Highest	14.52	1.37
				Lowest	*N/A	1.32
				Simple average	14.52	1.34

(Sources: Bloomberg Finance L.P. and the latest audited financial statements of the respective Comparable Companies available as at the LPD.)

Notes:
^ *Computed based on the number of outstanding shares as at the financial year end of the Comparable Companies.*
**N/A Not applicable as MClean was loss-making for the FYE 31 December 2014.*
 # Source: Bloomberg Finance L.P.

The following observations are noted:

(i) the PER for the Proposed Acquisition of 6.0 times is less than the average PER of the Comparable Companies of 14.52 times.

As such, the Board is of the view that the PER of 6.0 times is reasonable; and

(ii) the PBR of 0.85 times based on DWZ's unaudited consolidated NA as at 31 December 2014 is less than the average PBR of the Comparable Companies of 1.34 times.

As such, the Board is of the view that the PBR 0.85 of times is reasonable.

2.6 Basis and justification for the issue price for the Consideration Shares

The issue price of RM0.25 for each Consideration Share was arrived at on a negotiated basis considering the higher of the:

(i) par value of MClean Shares of RM0.25; and

(ii) five (5)-day volume weighted average market price ("**5D-VWAP**") of MClean Shares up to and including 9 April 2015 (the market day preceding the day of signing of the MOU) of RM0.1998.

The Board also noted that the historical volume weighed average market prices ("**VWAP**") of MClean Shares over a longer period of up to one (1) year are also lower than the issue price of RM0.25, as set out below:

VWAP up to and including LPD	**VWAP**	**Issue price**	**Premium over the VWAP**	
	RM	**RM**	**RM**	**%**
Five (5)-day	0.1993	0.25	0.0507	25.44
One (1)-month	0.1977	0.25	0.0523	26.45
Three (3)-month	0.1926	0.25	0.0574	29.80
Six (6)-month	0.1969	0.25	0.0531	26.97
One (1)-year	0.2150	0.25	0.0350	16.28

2.7 Ranking of Consideration Shares

Upon issue and allotment, the Consideration Shares shall rank *pari passu* in all respects with the existing Shares, except that the Consideration Shares will not be entitled to any dividends, rights, allotment and/or any other distributions that may be declared, made or paid where the entitlement date precedes the date of issuance and allotment of the Consideration Shares.

2.8 Listing and quotation

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities.

2.9 Liabilities to be assumed

Save for the liabilities in the financial statements of DWZ Group, there are no other liabilities, including contingent liabilities and/or guarantees to be assumed by the Purchaser in undertaking the Proposed Acquisition.

2.10 Additional financial commitment required

As DWZ Group is already operating, there is no additional financial commitment required for MClean to put the DWZ Group on-stream.

2.11 Profit Guarantee

The Board is of the opinion that the Profit Guarantee for the Profit Guarantee Period is reasonable and realistic after taking into consideration of the following:

(i) DWZ Group's historical financial performance as set out in **Appendix I** of this announcement;

(ii) DWZ Group's profit estimate and forecast for the Profit Guarantee Period; and

(iii) DWZ Group's prospects as set out in Section 6.6 of this announcement.

2.12 Percentage Ratios

Pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the highest percentage ratio applicable to the Proposed Acquisition is 96.25%, based on the unaudited consolidated NA of DWZ as at 31 December 2014 compared against MClean Group's NA as at 31 December 2014.

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3. PROPOSED DIVERSIFICATION

The MClean Group's existing principal activities are the provision of precision cleaning, washing, assembly services as well as other related services for the hard disk drive and semiconductor industries ("**Existing Business**"). The revenue of MClean Group is mainly contributed by its precision cleaning and washing business.

DWZ, as the subject of the Proposed Acquisition, is principally involved in the business of Surface Finishing for the E&E industries. Such activities are considered to be upstream to the MClean Group's existing principal activities in the value chain of the E&E industries.

The enlarged MClean Group, with the addition of DWZ Group, will be principally involved in the provision of precision cleaning, washing, assembly services and other related services for the hard disk drive and semiconductor industries as well as the Surface Finishing services. Considering the above and the overview and outlook of surface treatment industry in Malaysia (as set out in Section 6.3 of this announcement), overview and outlook of the global E&E market (as set out in Section 6.4 of this announcement) and global HDD market (as set out in Section 6.5 of this announcement) as well as the future prospects of the DWZ Group (as set out in Section 6.6 of this announcement), the Board has identified the Proposed Acquisition as a viable new business opportunity for the MClean Group to diversify its revenue and earnings base to reduce its dependency on its Existing Business and to create value through the Proposed Acquisition. The MClean Group believes that the diversification into Surface Finishing business is expected to have stable and strong growth prospects and will be beneficial to the MClean Group's future earnings.

The Board expects the Proposed Acquisition to result in additional contribution of at least 25% to the future net profits of the enlarged MClean Group and/or the diversion of 25% or more of the MClean Group's NA to the operations of DWZ Group. The Board will therefore seek the approval of the Company's shareholders for the Proposed Diversification, as required pursuant to Rule 10.13 of the Listing Requirements.

Notwithstanding the Proposed Diversification, the Board intends to continue with the MClean Group's Existing Business. Nevertheless, going forward, the Board may re-organise and/or rationalise the MClean Group's enlarged businesses in order to enhance its competitiveness.

4. PROPOSED FREE WARRANTS ISSUE

4.1 Basis and number of New Warrants

The Company proposes to issue up to 42,264,000 New Warrants on the basis of six (6) New Warrants for every twenty five (25) existing MClean Shares held by the shareholders of MClean whose names appear in the Record of Depositors on an entitlement date to be determined later ("**Entitlement Date**"). The actual number of New Warrants to be issued would depend on the issued and paid-up capital of the Company as at the Entitlement Date.

Any fractional entitlements arising from the Proposed Free Warrants Issue shall be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company.

The Proposed Free Warrants Issue will not be implemented in stages over a period of time and will be issued in registered form and constituted by a deed poll to be executed by the Company ("**Deed Poll**").

4.2 Basis of issue price and exercise price of New Warrants

The New Warrants will be issued at no cost to the existing shareholders of MClean on a pro-rata basis.

The Board has fixed the exercise price of the New Warrants at RM0.25 each, being the par value of MClean Shares of RM0.25 each.

The exercise price of RM0.25 represents a premium of RM0.0507 or 25.44% to the 5D-VWAP of MClean Shares up to and including the LPD of RM0.1993 per MClean Share. The exercise price of the New Warrants is fixed at the par value of MClean Shares to provide an option to the holders of the New Warrants to exercise the New Warrants and increase their equity in the Company during the exercise period.

4.3 Ranking of the New Warrants and new MClean Shares arising from the exercise of the New Warrants

The holders of the New Warrants will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in MClean until and unless such holders of the New Warrants exercise their New Warrants into new Shares.

Upon allotment and issuance, the new Shares to be issued arising from the exercise of the New Warrants shall rank *pari passu* in all respects with the existing Shares, except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of issuance and allotment of the new Shares arising from the exercise of the New Warrants.

4.4 Listing of and quotation for the New Warrants and new MClean Shares arising from the exercise of the New Warrants

An application will be made to Bursa Securities for the admission of the New Warrants to the Official List of Bursa Securities as well as for the listing of and quotation for the New Warrants and new MClean Shares arising from the exercise of the New Warrants on the ACE Market of Bursa Securities.

4.5 Utilisation of proceeds

As the New Warrants will be issued at no cost to the existing shareholders of MClean, no proceeds will be raised upon issuance. The amount of proceeds arising from the exercise of the New Warrants during the exercise period will depend upon the actual number of New Warrants exercised during their tenure.

Assuming the full exercise of 42,264,000 New Warrants at the exercise price of RM0.25 each, the MClean Group intends to utilise the resulting proceeds of RM10,566,000 for its working capital in its day-to-day operations, including the purchase of raw materials, payment of salaries and defrayment of operational and administrative expenses. The proceeds to be utilised for each component of working capital will depend on MClean Group's operating requirements at the point of utilisation and thus can only be determined later.

4.6 Salient terms of the New Warrants

The New Warrants have the following salient terms:

Terms		Details
Issue size	:	Up to 42,264,000 New Warrants.
Form and denomination	:	The New Warrants which are free will be issued in registered form and will be constituted by the Deed Poll.
Exercise period	:	The New Warrants may be exercised at any period commencing from and inclusive of the issue date and ending at 5.00 pm on the date immediately preceding the fifth (5th) anniversary of the issue date and if such date is not a market day, then on the preceding market day.
Exercise price	:	The exercise price of the New Warrants has been fixed by the Board at RM0.25 each.
Exercise rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new MClean Share at any time during the exercise period at the exercise price (subject to the adjustments in accordance with the provisions of the Deed Poll).
Mode of exercise	:	The registered holder of the New Warrants is required to lodge an exercise form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and duly stamped in accordance with any law for the time being in force relating to stamp duty together with payment of the exercise price for the new MClean Shares subscribed for by banker's draft or cashier's order or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia.
Board lot	:	For the purpose of trading on Bursa Securities, one (1) board lot of Warrant shall comprise one hundred (100) New Warrants carrying the right to subscribe for one hundred (100) new MClean Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.
Adjustments in the exercise price and/or number of the New Warrants	:	Subject to the provisions in the Deed Poll, the exercise price and the number of New Warrants held by each warrant holder shall be adjusted by the Board in consultation with the approved adviser and certification of the external auditors, in the event of alteration to the share capital of MClean.
Rights of the warrant holders	:	The warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in the Company until and unless such warrant holders exercise their New Warrants into new MClean Shares.

Terms		Details
Modification of rights of the New Warrants holders	:	The Company may, from time to time, without the consent or sanction of the warrant holders but subject to the prior approval of Bursa Securities and other relevant authorities and in accordance with the Deed Poll, modify the Deed Poll, if such modification made does not materially prejudice the interests of the warrant holders or is made to correct a manifest error or to comply with prevailing laws or regulations of Malaysia. Subject to the approval of any relevant authority, any modification, alteration or abrogation of the covenants or provisions contained in the Deed Poll proposed or agreed to by the Company must be sanctioned by special resolution of the holders of the New Warrants, effected by the Deed Poll, executed by the Company and expressed to be supplemental and comply with the requirements of the Deed Poll.
Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	If a resolution is passed for a members' voluntary winding up of the Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then: (i) for the purposes of such winding-up, compromise or scheme of arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the warrant holder (or some person designated by them for such purpose by special resolution) will be a party, the terms of such winding up, compromise or scheme of arrangement shall be binding on all the warrant holders; and (ii) in any other case, every warrant holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving the compromise or scheme of arrangement (as the case may be), to exercise their New Warrants by submitting the exercise form duly completed together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

Terms		Details
Transferability	:	The transfer of New Warrants shall be subject to, and be carried out in accordance with, the provisions of the Deed Poll and the relevant regulations. Subject to the provisions of, and unless otherwise disclosed in accordance with the relevant regulations, each warrant holder shall be deemed to remain the holder of the New Warrants deposited in his *CDS Account until such New Warrants are debited from the said CDS Account. Subject to the provisions of the relevant regulations, no person shall be recognised by the Company as having title to the New Warrants entitling the holder thereof to subscribe for a fractional part of a MClean Shares or otherwise than as the sole holder of the entirety of such MClean Shares. The warrant holders may transfer the New Warrants in any manner provided under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**") and the Rules of Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"). *Note:* * *an account established by Bursa Depository or its successor-in-title or any other approved depository under the Central Depositories Act.*
Listing status	:	The New Warrants will be listed and traded on the ACE Market of Bursa Securities. An application will be made for the admission of New Warrants to the official list of the ACE Market of Bursa Securities and the listing of and quotation for the New Warrants and the new MClean Shares to be issued pursuant to the exercise of the New Warrants on the ACE Market of Bursa Securities.
Governing law	:	The laws of Malaysia.

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5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Acquisition

Presently, the MClean Group is principally involved in the provision of precision cleaning, washing, assembly services and other related services to the HDD and semiconductor industries. The Proposed Acquisition represents a strategic investment to enable the MClean Group to be entitled to future earnings from the DWZ Group and is in line with the MClean Group's plan to diversify its Existing Business and to reduce its dependency on the existing precision cleaning and washing business. In this regard, the Proposed Acquisition represents an opportunity for the MClean Group to venture into Surface Finishing business and hence provide an additional income stream for the MClean Group through the anticipated:

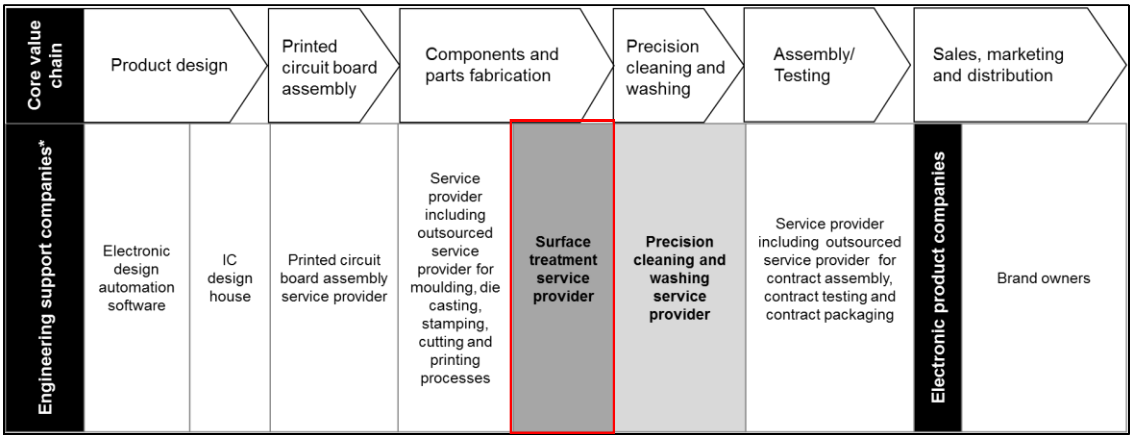
(i) increase in revenue from its existing customers in precision cleaning and washing services through the offering of surface treatment and finishing services offered by DWZ Group;

(ii) increase in revenue from the existing customers of DWZ Group, which comprise customers from various industry segments including HDD, electronics, vehicle, and oil and gas and petrochemical industries with the offering of its precision cleaning and washing services; and

(iii) increase in growth opportunities arising from the complementary synergies of the vertical integration. The Board is of the view that the provision of both precision cleaning and washing services, as well as Surface Finishing services will attract new customers as customers would be able to realise greater convenience and cost savings by leveraging on the enlarged MClean Group as a single solution provider for both these types of services.

Furthermore, upon completion of the Proposed Acquisition, the enlarged MClean Group will have an additional source of income stream and larger earning base with potentially improved profitability.

Value Chain of the electronics industry (Global), 2015



Notes:

1. Industry segment in which DWZ Group is principally involved in.

2. Industry segment in which MClean Group is principally involved in.

*(Source: Independent market research report ("**IMR**"), prepared by Smith Zander, May 2015.)*

MClean Group is currently primarily involved in the precision cleaning and washing activities. The existing precision cleaning and washing activities are performed at a later stage in the value chain after the Decor's electroplating activities and DWZ Group's Surface Finishing activities. With the Proposed Acquisition, MClean Group is able to expand its business activities upstream to include electroplating and Surface Finishing activities (please refer to the diagram above for further details on the value chain). In addition, MClean recognised the Surface Finishing business as a synergistic business opportunity in light of it being complementary to its existing precision cleaning and washing business. Upon completion of the Proposed Acquisition, the enlarged MClean Group will be able to offer its customers greater convenience and allow for cost savings in terms of time and resources allocation, as customers are able to leverage on the enlarged MClean Group as a single solution provider for both of these services, i.e., Surface Finishing as well as precision cleaning and washing.

Moreover, historically MClean Group's customers have predominantly been in the HDD industry, as its precision cleaning and washing services are primarily for HDD components, HDD component trays, media cassettes and wafer carriers. Conversely, DWZ Group has customers spanning across various industry segments, including HDD, as well as electronics, vehicle, and oil and gas and petrochemical industries. As such, the Proposed Acquisition would allow MClean Group to expand its customer base to tap into DWZ Group's customers base from other industry segments, thus enabling the enlarged MClean Group to diversify its revenue streams. Expanding the customer base across various industry segments will also offer the enlarged MClean Group a more defensible and stable earnings stream over time, as it will help lessen any business and financial impact in the event of a downturn in a specific industry segment.

The Board also believes that the enlarged MClean Group will be able to realise a number of additional operating benefits through the Proposed Acquisition, including the sharing of technical expertise and know-how to improve and enhance both of the precision cleaning and washing, and the Surface Finishing processes. While these two (2) businesses have separate processes, both of these businesses serve the HDD and electronics industries and thus, there will be avenues to combine industry knowledge and share technical capabilities to increase the overall quality of services rendered. In addition, as DWZ Group is also involved in the provision of precision cleaning and washing services, the enlarged MClean Group will be better positioned to derive cost benefits through the increased economies of scale resulting from the enlarged production capacity.

The Board has also considered other factors that included, among others, the historical track record of DWZ Group (as set out in **Appendix I** of this announcement) and the experience and capabilities of its key management personnel of DWZ Group. Notwithstanding that MClean Group currently does not have a team of personnel involved in the Surface Finishing activities, after the Proposed Acquisition, DWZ Group will continue to be led by its founder and chairman, Lim Han Kian, who has played a pivotal role in setting the strategic direction for DWZ Group since its inception. Lim Han Kian is supported by a team of key management personnel of which the details of the key management are disclosed in Section 6.6 (iv) of this announcement.

The MClean Group is confident that it will possess the required skills and expertise to undertake the principal activities of DWZ Group, as the existing key management members of the DWZ Group are expected to continue with their roles after the Proposed Acquisition. Furthermore, the Vendor with its 45% ownership of the equity interest in DWZ would be able to continue providing operational and strategic guidance to DWZ Group as and when required. The Board has taken cognisance of the risk factors inherent to the Proposed Acquisition as disclosed in Section 7 of this announcement and it believes that the necessary steps can be taken to mitigate such risks.

The Board is of the view that the issuance of the Consideration Shares to satisfy the Purchase Consideration in the most appropriate avenue as it will conserve the cash reserves of MClean Group which can be channelled instead towards operations and other working capital purposes. In addition, issuance of the Consideration Shares will strengthen the financial position of the MClean Group, where by the NA of MClean Group is expected to increase from RM17.18 million as at the audited FYE 31 December 2014 to RM30.58 million and RM47.71 million after the Proposed Acquisition under the Minimum Scenario and Maximum Scenario, respectively, as set out in Section 8.2 of this announcement.

Premised on the above, the Board is of the view that the Proposed Acquisition is expected to contribute positively to the future earnings of the MClean Group's and improve its financial position and that growth prospects of the MClean Group's venture into the upstream value chain (i.e., Surface Finishing business) would be favourable.

5.2 Proposed Diversification

As disclosed in Section 3 of this announcement, the MClean Group's revenue and earnings are mainly derived from its Existing Business. The Board is of the view that the Proposed Diversification will be beneficial to the MClean Group's future prospects as the Surface Finishing business is expected to provide the MClean Group with future profits upon completion of the Proposed Acquisition.

Simultaneous with its continuing focus on expanding its core business, MClean Group has also previously indicated to its shareholders that it will explore new business opportunities to broaden its services and customers' base, with the objective of maximising long-term growth and also to increase its shareholder value. The Board views the Proposed Acquisition not only as a new business opportunity to diversify the MClean Group's revenue base and reduce its dependence on its Existing Business, but also to move upstream along the value chain of the E&E industries.

The Proposed Diversification is expected to provide a forward impetus for the Group's long-term growth thereby leading to higher shareholder value.

In addition, the Proposed Diversification is undertaken pursuant to the Listing Requirements as the Board believes that, barring any unforeseen circumstances, the Surface Finishing business is reasonably expected to contribute 25% or more of the net profits of the MClean Group and/or the diversion of 25% or more of the MClean Group's NA to the operations of DWZ Group in the near future.

5.3 Proposed Free Warrants Issue

The Board is of the view that the Proposed Free Warrants Issue is an appropriate avenue of rewarding the existing shareholders of the Company, and will:

(i) enable the Company's existing shareholders, without any cost outlay, to own warrants which are tradable on Bursa Securities;

(ii) increase the Group's capital base and shareholders' funds if and when the New Warrants are exercised, as well as potentially provide funds for the Group without incurring any interest cost associated with borrowings;

(iii) provide the Company's existing shareholders with an opportunity to increase their equity in the Company at a fixed price during the exercise period, and further participate in the future growth of the Group; and

(iv) enable the Company's existing shareholders to gain from potential capital appreciation in respect of the New Warrants and MClean Shares arising from the exercise of the New Warrants.

6. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF THE DWZ GROUP AND MCLEAN GROUP

Currently, the main operations of MClean Group's precision cleaning and washing services are based in Singapore while the main operations of DWZ Group's Surface Finishing services are based in Malaysia. As such, the overview and outlook of the economies in Singapore and Malaysia, surface treatment industry in Malaysia, the global E&E market, the global HDD market as well as the prospects of DWZ Group and MClean Group are set out in the following sections.

6.1 Overview and outlook of the Singaporean economy

Economic growth gathered pace towards the end of 2014, with GDP rising by 4.9% q-o-q saar (quarter-on-quarter seasonally-adjusted annualised rate) in Q4 2014, from 2.6% in the previous quarter. This largely reflected the robust performance in the sentiment-sensitive segments of the financial services industry. However, activity in the trade-related industries was weighed down by the weakness in global commodity markets and softer demand from some regional economies.

Growth in the domestic economy is expected to keep pace with last year's expansion, with GDP projected to rise by 2–4% in 2015. The improving external environment should support the trade-related sectors, while domestic demand remains resilient, despite ongoing supply-side constraints.

External price developments will be generally benign, led by lower oil prices. While domestic cost pressures could persist amid the tight labour market, businesses' ability to pass on accumulated domestic costs to consumer prices could be somewhat restrained in the near term, given the moderate growth environment. Car prices and imputed rentals on owner-occupied accommodation will also continue to dampen overall inflation in light of the anticipated increase in supply. MAS Core Inflation and CPI-All Items inflation are expected to ease further before rising in the second half of 2015, and average 0.5–1.5% and −0.5–0.5% respectively for the full year.

*(Source: Recent Economic Developments in Singapore dated 5 March 2015, Monetary Authority of Singapore ("**MAS**"))*

6.2 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a stronger growth of 6.0% in 2014 (2013: 4.7%), driven primarily by the continued strength of domestic demand and supported by an improvement in external trade performance. Net exports turned around to contribute positively to growth after seven years of negative contribution, as Malaysia benefitted from the recovery in the advanced economies and the sustained demand from the regional economies. While the growth in private domestic demand remained strong, public sector expenditure registered slower growth, consistent with the Government's fiscal consolidation efforts.

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Private consumption grew by 7.1% in 2014, supported by favourable income growth and stable labour market conditions. Private consumption growth was also supported by the targeted Government transfers to low- and middle-income households. These partially mitigated some of the dampening effects on household spending growth from the higher cost of living following adjustments to administered prices. Public consumption recorded a slower growth rate of 4.4% given the more moderate increase in Government expenditure on supplies and services, which was in line with expenditure rationalisation initiatives announced towards the end of 2013.

Although the growth of overall gross fixed capital formation ("**GFCF**") moderated to 4.7%, private investment grew by 11.0% during the year. Consequently, the share of private investment in GFCF increased to 64% (2013: 60%). Growth in private investment occurred in both export-oriented and domestic-oriented industries and was mainly driven by the services and manufacturing sectors. Public investment contracted by 4.9% following the decline in Federal Government development expenditure and lower capital spending by public enterprises. The latter mainly reflected the completion and near-completion of several major projects.

On the supply side, all economic sectors recorded higher growth rates in 2014, driven by domestic and external factors. In particular, the recovery in the advanced economies and the continued demand from regional economies resulted in the manufacturing sector recording a strong growth of 6.2%. The services sector remained the largest contributor to growth, expanding by 6.3% (2013: 5.9%).

Despite a challenging external environment, the Malaysian economy is expected to register steady growth of 4.5% - 5.5% in 2015, supported mainly by sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. Domestic demand will continue to anchor growth in 2015, driven by private sector spending. After registering five consecutive years of above-average growth rates, private consumption is expected to grow by 6.0% in 2015. While the implementation of the Goods and Services Tax (GST) in April and lower earnings in the commodity-related sectors are expected to affect spending, this will, however, be partially offset by higher household disposable incomes from lower fuel prices, the favourable labour market conditions and the Government measures to assist low- and middle-income households.

*(Source: Bank Negara Malaysia ("**BNM**") Annual Report 2014, BNM)*

The Malaysian economy registered a growth of 5.6% in the first quarter of 2015 (4Q 2014: 5.7%). Private sector expenditure remained the key driver of growth (9.6%; 4Q 2014: 8.3%). This contributed towards a strong domestic demand performance, which offset the negative contribution from net exports during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.2% (4Q 2014: 1.8%).

Domestic demand expanded by 7.9% in the first quarter of 2015 (4Q 2014: 5.7%), driven mainly by private sector expenditure.

Private sector activity grew by 9.6% (4Q 2014: 8.3%), following continued growth in consumption and investment activities. Private consumption expanded at a stronger pace of 8.8% (4Q 2014: 7.6%), supported by stable labour market conditions and higher wage growth. Furthermore, household spending was supported by flood relief efforts, in particular, during the early parts of the quarter. The frontloading of consumer purchases prior to the implementation of GST, particularly on transport, food and beverages, as well as communication, also contributed to the strong expansion in private consumption. Private investment expanded by 11.7% (4Q 2014: 11.1%), driven by capital spending in the export-oriented manufacturing sector and in the telecommunication and transport-related services industries.

Public sector expenditure expanded by 2.5% in the first quarter (4Q 2014: 0.6%) driven mainly by higher growth in public consumption and a turnaround in public investment. Public consumption grew by 4.1% (4Q 2014: 2.5%), reflecting higher Federal Government spending on supplies and services amid moderate growth in emoluments. Following a rebound in spending on fixed assets by the Federal Government, public investment turned around and grew by 0.5% (4Q 2014: -1.9%).

In terms of total investment, gross fixed capital formation expanded by 7.9% (4Q 2014: 4.3%), supported mainly by capital spending in the private sector. By type of assets, investments on structures expanded by 9.9% (4Q 2014: 10.4%), while machinery and equipment investment turned around to record a positive growth of 5.8% (4Q 2014: -0.8%).

On the supply side, growth in the first quarter was supported by the major economic sectors. The services sector was underpinned by growth in all sub-sectors, particularly consumption-related sub-sectors. Growth in the manufacturing sector was supported by stronger performance in the export-oriented industries, particularly the electronics and electrical (E&E) cluster. The construction sector was supported mainly by the non-residential and residential sub-sectors, while the mining sector continued to record stronger growth amid higher crude oil production. Meanwhile, the agriculture sector contracted as a result of lower palm oil production.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2015, BNM)

6.3 Overview and outlook of surface treatment industry in Malaysia

Surface treatment is a type of industrial process performed on surfaces of metal and plastic products, components and parts for the purpose of providing protection from corrosion or damages, improving the appearance of the final product, increasing the product's surface solidity and resistance, and/or improving adhesion to other treatments such as painting or photosensitive coatings.

Surface treatment is an important process which is performed during the final stages of manufacturing or product fabrication such as HDD, mobile phones, personal computers, automotive components and parts, and equipment used in the oil, gas and petrochemical industry. This process can either be performed in the respective premises of the manufacturer, or outsourced to an engineering support company providing surface treatment services, in order to reduce manufacturing costs and achieve economies of scale. In the case of the electronics industry, electronic product companies are ultimately the customers of the engineering support companies and examples of these electronic product companies include mobile and wireless device companies and consumer electronic product manufacturers. It is typically these electronic product companies which could either opt to carry out certain manufacturing processes (such as surface treatment, moulding, die casting, stamping, assembly and testing) in-house, or outsource these activities to engineering support partners.

The value chain of the electronics industry begins with the product design stage where design solutions for products are created. The printed circuit board, which supports and electronically connects electronic components, will then be assembled based on these design solutions. The components and parts that form the product are fabricated, where moulding or die casting and stamping are common methods for fabricating metal and plastic components and parts. During the moulding or die casting process, molten metal or plastic is injected into a mould or die where it solidifies into the shape of the desired part. On the other hand, stamping is used to form metal sheets, where metal sheets are pressed and bent into its desired shape. The parts may then undergo drilling, turning and grinding, according to the product design specification.

After the fabrication stage, printing and surface treatment processes are then performed on the surfaces of metal or plastic components and parts. The surface treatment process is where a layer of coating is applied to the surfaces of metal and plastic components and parts, while the printing process involves the printing of designs or patterns onto the given surface.

Following this, these components and parts will be placed in a clean room to undergo precision cleaning and washing, prior to being assembled together into a fully functioning product. This product will then be subject to inspection and quality control tests before it is ready to be marketed, distributed and sold by the electronic product companies, which are typically brand owners of the final product.

DWZ is an engineering support company which is principally involved in the provision of surface treatment services, and as such, the industry segment which will be of interest in this report is the surface treatment industry.

Surface treatment consists of processes such as painting, heating, plating (e.g.: electroplating, anodizing, phosphating) and thermal spraying on surfaces of metal and plastic components or parts to alter surface solidity and/or to apply a layer of protective coating.

The key drivers, trends and development for surface treatment are set out below:

(i) Growth in end-user markets, particularly the E&E market

The surface treatment industry is an engineering support industry to multiple industries including the E&E industry and as such, the growth of the surface treatment industry highly correlates with the growth of its end-user markets.

The global market for electronic products is estimated to have grown from USD1.8 trillion (RM6.3 trillion) in 2009 to USD2.5 trillion (RM8.2 trillion) in 2014, registering a CAGR of 6.8% during this period. In particular, the global HDD market grew at a CAGR of 4.0% over the last six (6) years, from about USD28.3 billion (RM99.7 billion) in 2009 to about USD34.4 billion (RM112.6 billion) in 2014.

The Government of Malaysia plays an active role in driving the E&E industry in Malaysia. Government bodies such as Malaysian Investment Development Authority ("**MIDA**") facilitate the provision of land, infrastructure and financial incentives to existing MNCs to encourage expansion while simultaneously attracting new foreign firms to set up operations in Malaysia. One of MIDA's initiatives is encouraging smaller Malaysian service providers to merge into larger entities to be more globally competitive. The incentives are a flat tax rate of 20% for 5 years and stamp duty exemption on the merger document.

Given that most electronic product companies are multinational companies and much of the demand for surface treatment services is driven globally, the constant inflow of foreign direct investment ("**FDI**") to Malaysia is seen as relevant for the growth of the industry. Among some of the initiatives the Government of Malaysia had taken to improve FDI include empowering MIDA to attract investment and investing in talent recruitment. In 2013, the total approved investments was RM216.5 billion, of which RM38.8billion (17.9% of total approved investments) consisted of FDI. This FDI was mainly channelled into the manufacturing, services and oil and gas industries. Due to the Government initiatives, Malaysia's FDI recorded an increase from RM26.2 billion to RM38.8 billion at a CAGR of 5.77% between 2006 and 2013. The ratio of average net FDI inflow to Malaysia's GDP was 3.93% in 2013.

Additionally, the Ministry of International Trade and Industry ("**MITI**") and Malaysia External Trade Development Corporation ("**MATRADE**") are actively promoting local contract manufacturers. These agencies are offering tax incentives to foreign companies in encouraging them to utilise the services of local contract manufacturers, including metal components and parts manufacturers. The increase in production of metal components and parts is anticipated to trigger an increased demand for surface finishing and treatment services.

(ii) Increase in outsourcing to engineering support companies, and relocation of manufacturing activities to lower cost countries

Most E&E manufacturers are now outsourcing surface treatment processes to surface treatment service providers. With the rapid advancement in products developed in the E&E industry, E&E manufacturers are more focused on developing and designing new products while leaving the enhancement of surface treatment processes to the service providers. This has allowed E&E manufacturers to remain competitive in the industry by managing cost effectiveness and limiting capital expenditure.

Furthermore, E&E manufacturers are increasingly relocating their manufacturing facilities to lower cost regions such as countries within Asia in order to achieve better cost effectiveness and economies of scale. This is due to the substantially lower operating costs as well as the availability of talent in these markets. The shift towards the Asia region also has an added benefit of allowing manufacturers to tap into the growing demand for E&E products in Asia. In the context of Malaysia, this outsourcing trend has resulted in many local and multinational manufacturers emerging in the country.

In light of this, surface treatment industry players are also expected to benefit from the growing need of the market. As such, the outsourcing and relocation trend has, and is expected to continue to, support the growth of the surface treatment industry in Malaysia.

(iii) Consumer preferences for more sophisticated products

In addition to providing protection from corrosion or damages, increasing the product's surface solidity and resistance, and/or improving adhesion to treatment, surface treatment also improves the physical appearances of these products. Increasingly, consumers are selective when purchasing consumer E&E products as a result of the wide array of choices in the market, and the aesthetic aspects of these products have become one of the consideration factors during purchases.

This has thus led to the growing importance for surface treatment processes, which thus benefits the surface treatment industry. Furthermore, this growing demand for sophisticated and aesthetically pleasing products has led to the technological advancement within the surface treatment industry to develop surface coatings which are less susceptible to wear, have enhanced features, while still maintaining its aesthetics benefits.

(Source: IMR, prepared by Smith Zander, May 2015.)

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6.4 Overview and outlook of Global E&E market

The E&E industry extends across a broad range of components and parts, and intermediate and final products that feed into a wide range of end user markets. The electronics segment in particular is characterised by rapid technological change and large investments in research and development, and manufacturing processes are highly automated with demanding quality standards. Many key manufacturing and business processes in the E&E industry have been formalised, codified, standardised, and computerised, including product design (e.g. computer aided design), production planning, inventory and logistics control (e.g. enterprise resource planning), as well as various aspects of production (e.g. assembly, test and inspection and materials handling).

Major industry players now focus on their core competencies such as product development, consumer research, branding and marketing, and rely on contract manufacturers to carry out other value-added processes. The relative level of standardisation has allowed electronics to be embedded in a wide range of final products, offering a range of opportunities for customised E&E components that have the same fundamental architecture.

There are multiple steps in the component manufacturing process, including moulding, stamping, precision machining, and surface treatment. These specific steps in component manufacturing can be either performed by multiple facilities in more than one particular country where semi-finished products are then exported from one facility to another; or in the same facility in the same country; or in multiple facilities owned by different firms in the same country in which a particular manufacturer uses subcontractors to perform certain steps. These subcontractors can be foreign-owned companies, or they can be locally-owned. Carrying out more production activities is beneficial at a national level as it increases the range of skills available in a country's workforce.

The global market for E&E products is estimated to have grown from USD1.8 trillion (RM6.3 trillion) in 2009 to USD2.5 trillion (RM8.2 trillion) in 2014, registering a compound annual growth rate ("**CAGR**") of 6.8% during this period. Of the total worldwide E&E product sales, computers and other consumer electronics comprised the largest proportion, at an estimated 36.5%. Meanwhile, telecommunications, radio and radar equipment comprised 21.2%, control and instrument equipment comprised 7.2%, medical and industrial equipment comprised 4.7%, office equipment comprised 0.6%, and the remaining 29.8% of E&E product sales consisted of other semiconductor components.

The key drivers, trends and development for the global E&E market are set out below:

(i) Diversity of application of E&E products in multiple industries

The range of applications for E&E products have broadened dramatically over the last couple of decades, and E&E products developed today play essential roles in consumer retail, medical, manufacturing, and telecommunications industries. Many of these industries cannot function without the use of E&E products. The medical industry for instance, requires the use of electronic medical equipment to perform diagnosis, monitoring and treatment of patients. The manufacturing industry today also largely consists of fully or semi-automated manufacturing facilities, and thus electronic machinery and equipment forms an integral component of manufacturing activities.

Computers have become one of the most used technological items today. In fact, computers enable information technology ("**IT**") which is the application of computers and other equipment to store, retrieve, transmit and manipulate digital data. As an increasing volume of digital data is managed and stored globally, IT is increasingly integrated with consumers' lifestyle and business operations. In other words, consumers and businesses have become increasingly dependent on computers for connectivity as well as to perform daily tasks such as accessing information and preparing business documents. The market potential for computers can be depicted through total worldwide IT expenditure, which is valued at USD3.7 trillion (RM11.7 trillion) in 2013, an increase of 15.6% from USD3.2 trillion (RM11.3 trillion) in 2009.

(ii) Rapid technological advancements drive E&E product sales

The E&E industry has seen developments in terms of performance, size and technology of various products. Computers have transformed physically and functionally from when it was first introduced in 1961 as mainframe computers, to the current portable size of notebooks/laptops today. In recent years, new computer models are continually being introduced to the market with advancements in terms of its processor performance and reductions in weight and size. Likewise, mobile phones have experienced similar advancements in terms of its design, performance, features and reductions in weight. Mobile phones are no longer just a telecommunication tool for making telephone calls and sending and receiving messages as more advanced smartphones have been introduced with functions for Internet access, photography, data storing, entertainment and social media networking.

Moving forward, it is expected that the number of E&E products which are integrated with the lifestyle of the society today will only increase further. Rapid technological developments within the E&E industry will also continue to promote new product advancements in the market as industry players need to ensure their products remain competitive and are not obsolete. Consumers are highly receptive to these new product innovations, resulting in relatively shorter product lifecycles for most E&E products, especially consumer electronics. As a result, new and enhanced versions of products are continually being introduced and launched, and these new introductions have been the key driving factor for E&E product sales.

One of the most prevalent trends in the E&E industry is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile and wireless devices, industry players are constantly developing newer E&E components to meet market requirements for smaller and more lightweight products. For example, wearable technology such as the Apple Watch and Google Glass enable consumers to stay connected at all times. In addition, this trend has also led to greater demand for wireless-enabled electronic components (e.g. Wi-Fi devices and Bluetooth adaptors) and power management integrated circuits (e.g. batteries).

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(iii) Growing demand for E&E products from emerging economies

The global economy is projected to grow at an average annual rate of just over 3.0% between 2011 and 2050, doubling in size by 2032 and nearly doubling again by 2050. China is projected to overtake United States as the largest economy by 2017 in purchasing power parity ("**PPP**") terms, and India is expected to become the third global economic giant by 2050. It is anticipated that Russia will overtake Germany to become the largest European economy before 2020 in PPP terms while emerging economies such as Mexico and Indonesia could be larger than United Kingdom and France by 2050. Outside the Group of 20 ("**G20**"), Vietnam, Malaysia and Nigeria all have strong long-term growth potential, while Poland is forecast to outpace the large Western European economies over the next couple of decades

(Source: IMR, prepared by Smith Zander, May 2015)

6.5 Global HDD market

A HDD is a data storage device which is presently widely used to store digital data from devices such as computers, mobile phones and tablets. HDDs utilise magnetic discs, in which digital data is stored in the form of tiny magnetised dots which are produced, read and erased using magnetic fields created by electromagnets. HDDs designed for businesses are typically used in mainframes and servers, while HDDs designed by consumers are either internal HDDs which are used as primary storage in personal computers, or external HDDs which are portable HDDs used as secondary storage. An external HDD has its own enclosure or casing, and can be attached to a personal computer, mobile phone or tablet through a Universal Serial Bus ("**USB**") or FireWire connection port.

The global HDD market is mature, having been in existence since the 1950s. In the past, HDDs were bulky devices which occupied large floor spaces and had high electricity consumption. The first HDD which was invented by IBM Corporation was as big as two (2) refrigerators, and had a capacity of five (5) Megabyte ("**MB**"). The technology for HDDs continued to evolve, and portable HDDs came into existence in the 1980s. Over the years, HDDs have progressively reduced in size and increased in storage capacity, and presently most consumer HDDs can be hand-held and weigh less than one (1) kilogram, with an average storage capacity ranging between 500MB and two (2) Terabyte ("**TB**"). In 2014, Western Digital Corporation introduced the market's first ten (10) TB HDD which is designed to be used in servers.

Simultaneous to the advancement in the HDD market to develop HDDs which are faster, smaller and have higher storage capacity, the data storage market as a whole had also evolved to introduce new storage devices such as solid state drives. A solid state drive is a type of data storage device which utilises flash memory to store data, and is either used as primary storage in ultrabooks and tablets, or as secondary storage. Even so, HDDs remain the primary storage medium for digital data content today largely due to its ability to offer greater capacity at lower cost. In 2013, the HDD market size was approximately USD34.5 billion, while the Solid State Drive ("**SSD**") market size was less than one third of the HDD market size, i.e., USD10.9 billion.

The market size for HDD can be measured in terms of revenues of major global industry players which manufacture and develop HDD devices. For the purpose of this report, the HDD market size has been computed based on industry players which are involved in the manufacturing of HDDs designed for consumer usage, of which present major industry players include Western Digital Corporation, Seagate Technology PLC and Toshiba Corporation.

Overall, the global HDD market has been growing at a CAGR of 4.0% over the last six (6) years, from about USD28.3 billion (RM99.7 billion) in 2009 to about USD34.4 billion (RM112.6 billion) in 2014. In recent years, much of the growth of HDD sales has been largely driven by the Asia Pacific market due to the proliferation of E&E devices in the region. In 2014, the HDD market in Asia Pacific comprised approximately 53.8% of the global HDD market, which is an increase from 46.6% in 2009. The HDD market in Asia Pacific illustrated a healthy CAGR of 7.0% between 2009 and 2014, growing from USD13.2 billion (RM46.5 billion) in 2009 to approximately USD18.5 billion (RM60.6 billion) in 2014.

The key drivers, trends and development for HDD market are set out below:

(i) Proliferation of E&E devices and advancement of these devices which require greater data storage capacity usage

Consumer electronics such as computers, mobile and wireless devices, televisions and home appliances are now the largest contributors to E&E product sales, comprising 36.5% of total E&E product sales worldwide. Mobile and wireless devices, which comprise mobile feature phones, smartphones, personal computers and tablets have become a necessity as a means of communication and connectivity, particularly in urban areas. While mobile cellular subscriptions illustrated a healthy growth of 105.3% in a span of eight (8) years between 2007 and 2014, active mobile broadband (which enables the use of smartphones and tablets) grew seven (7) times faster with a growth of 763.8% during the same time period, from 268.0 million subscriptions in 2007 to an estimated 2.3 billion subscriptions in 2014. It is common for consumers to own several electronic devices and be dependent on them in their daily lives. The growth in demand for these devices is mostly driven by developing countries in the Asia region, due to the growing disposable income in these economies, as well as the onset or roll out of broadband and wireless technologies

In recent times, consumer electronics have also been witnessing rapid technological advancement in the development of faster and more efficient consumer electronics such as personal computers, smartphones, digital video and audio recorders and game consoles. These devices typically require an internal HDD or external HDD with high storage capacity capabilities.

The proliferation of E&E devices, as well as the advancement of these devices which require greater data storage capacity usage is an indicator that there will be continuous demand for storage devices. This in turn, is expected to benefit the HDD market as HDDs are currently the most cost effective storage medium with large storage capacity capabilities.

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(ii) Increasingly high importance of digital data

Consumers and enterprises alike have become increasingly integrated with E&E devices and IT solutions, causing a growing volume of digital data to be stored.

The amount of digital information created and replicated globally was estimated to be approximately 1,800 exabytes or 1.8 trillion gigabytes in 2011. In a span of just two (2) years, the digital information available worldwide increased by 56.0% to an estimated 2,800 exabytes or 2.8 trillion gigabytes in 2013. It is projected that with the continuous proliferation of devices such as computers, smartphones and tablets, and increased Internet access within emerging markets, the digital universe will reach a digital information size of approximately 40,000 exabytes (i.e., 40 trillion gigabytes or 40 zettabytes) by 2020, growing at a CAGR of about 46.0%.

The growing volumes of digital data stored by both consumers and enterprises will continue to be one of the key factors driving the demand of the HDD market.

(iii) Decline in prices of HDDs

Among the main reasons HDDs are primary storage mediums at present is its cost effectiveness. The declining average cost per Gigabyte ("**GB**") have resulted in an increased demand for HDDs with higher storage capacity capabilities as affordability for these devices increases. The current average cost per GB of USD0.03 is less than half of the average cost per GB five (5) years ago, and this is expected to continue to decrease further. The declining average cost per GB is expected to continue to drive demand for HDDs as the most cost effective and affordable storage medium in the market.

(iv) Emergence of internet-enabled applications

The emergence of virtualisation or internet-enabled computing has given rise to increased demand for HDDs designed for enterprises, particularly for servers and mainframe computers. With internet technology, all computing resources such as software, platforms, infrastructure, data and processing capacity can be obtained whenever required from service providers. Applications such as Google Docs, Google AppEngine, Dropbox, Windows Azure and Office365 are some of the popular services today which enterprises utilise to share software applications such as word processing, spreadsheets and presentations on an internet platform. These applications are typically hosted by a managed service provider and thus, the onus now falls on the service providers to ensure data protection and business continuity of their clients or end-users. As internet-enabled computing is presently a rapidly growing market and has a wide target reach which includes smaller or mid-sized companies and consumers, this would consequently lead to increased demand for HDDs to support the services they offer, boosting industry growth.

(Source: IMR report, prepared by Smith Zander, May 2015.)

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6.6 Prospects of DWZ Group

DWZ Group's future prospects are expected to be favorable in view of DWZ Group's competitive strengths as set out below:

(i) Ability to offer a comprehensive range of surface treatment and finishing services to customers

DWZ Group's surface treatment and furnishing services comprise electroplating, electroless plating, pre-treatment solutions such as deburring, tumbling, phosphate coating, blasting and etching, as well as other treatment and finishing services including passivation, spray painting, powder coating and electrochemical polishing. With a wide range of services, DWZ Group is able to offer its customers greater convenience as customers may deal with DWZ Group as a single solution provider for these services in order to save time and resources, as well as leverage on integrated technical solutions for overall better quality performance and cost savings.

(ii) Diversified customer base from various industry segments

DWZ Group has a diversified customer base comprising primarily from the HDD, electronics, automotive and bicycle industries. This diversified customer base allows DWZ Group to diversify its operational risks and mitigate any business and financial impact in the event of a downturn in a specific industry segment.

(iii) Commitment to providing quality surface treatment and finishing services

DWZ Group's vast experience in the surface treatment and finishing industry has been accumulated through its experience, having been in operations since 1996. As such, with close to two (2) decades of operating in the industry, DWZ Group has substantial experience and technical know-how in the industry. Such knowledge and experience has been developed over time and is not easily replicated, placing DWZ Group in good stead in the surface treatment and finishing industry.

DWZ Group also places emphasis on product quality and has a strong commitment to consistently produce quality results that meet the requirements of its customers. As such, DWZ Group has made efforts to implement quality control procedures at each stage of its production process. Its efforts in quality control is demonstrated by the fact that its quality management system complies with the ISO 9001:2000, and its environmental management system complies with ISO 14001:2004. In addition, all materials and supplies utilised in the surface treatment and finishing processes are Restriction of Hazardous Substances (ROHS) compliant. DWZ Group also has a committed Quality Control team and a well-equipped test laboratory facility comprising high-technology machinery and equipment such as salt spray test equipment, X-ray test equipment and liquid particles count (LPC) equipment.

DWZ Group's commitment to strict quality control standards has been a major factor in building its industry standing and establishing its reputation as a trusted and reliable surface treatment and finishing specialist.

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(iv) Experienced and professional management team

DWZ Group has an experienced management team that is expected to continue to lead the business after the Proposed Acquisition. DWZ's Managing Director, Chua Chee Tiong is actively involved in managing the daily operations and business development, and with approximately 20 years of sales experience in serving the HDD and E&E industry, he has built a strong network of clients in these industries.

The Board believes that the senior management team of DWZ will be ideally placed to work alongside the management of MClean Group in realising the benefits available to the enlarged MClean Group.

(Source: Management of MClean)

6.7 Prospects of MClean Group

MClean Group has previously indicated to its shareholders that it will explore new business opportunities to broaden its services and customers' base, with the objective of maximising long-term growth and also to increase its shareholder value. The commencement of technical assembly services (sale of modules relating to technical assembly services) in the fourth quarter of year 2012 and clean bulk packaging in the beginning of year 2013, amongst others, were the initiatives taken by the Company to maximise long term growth. The Proposed Acquisition marks the continuous effort of the MClean Group to explore new business opportunities and therefore enable MClean Group enlarged its earnings base from the Existing Business. The Board views the Proposed Acquisition not only as a new business opportunity to diversify the MClean Group's revenue base and reduce its dependence on its Existing Business, but also as a synergetic business opportunity in light of the surface treatment and finishing business being complementary to its existing precision cleaning and washing business. The Proposed Acquisition will also enable the MClean Group to tap into DWZ Group's customer base from other industry segments.

Based on the above, the Board believes that the enlarged MClean Group is well positioned to capitalise on the continued growth of the Surface Finishing business leveraging on the positive outlook of the surface treatment industry in Malaysia, global E&E market, and global HDD market and thus is of the opinion that the prospects of the enlarged MClean Group will be positive.

(Source: Management of MClean)

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7. RISK FACTORS

Risk factors relating to the Proposed Acquisition and Proposed Diversification include, but are not limited to, the following:

7.1 Acquisition and diversification risk

The Proposed Acquisition and Proposed Diversification are expected to contribute positively to the MClean Group in view that the said proposals would:

- provide an additional income steam to the MClean Group (as set out in Section 5.1 of this announcement);
- provide the opportunity for MClean Group to venture and subsequently expand into the surface treatment business (as set out in Section 5.1 of this announcement); and
- enable the MClean Group to benefit from the favourable prospects of DWZ Group (as set out in Section 6.6 of this announcement).

However, there is no assurance that the anticipated benefits of the Proposed Acquisition and Proposed Diversification will be realised or that the MClean Group will be able to generate sufficient profits arising from the Proposed Acquisition to offset the associated acquisition costs incurred. There is also no assurance that the expected financial performance of DWZ Group could be achieved post completion of the Proposed Acquisition. The Proposed Acquisition would require the focus and attention from both the Board and the Directors of DWZ Group and may divert some of their focus.

In mitigating such risk, MClean has secured the Profit Guarantee from the Vendor. Furthermore, MClean has no plans to dismiss or make redundant the employees of DWZ Group as a direct consequence of the Proposed Acquisition.

MClean also intends to mitigate such risk by adopting prudent investment strategies and conducting assessments and reviews including due diligence reviews on DWZ Group, prior to making its investment decision and completing the Proposed Acquisition. Notwithstanding the above, the Board believes that existing management personnel of the DWZ Group will continue to drive DWZ Group’s growth.

7.2 Risks relating to the business, operations and industry in which DWZ Group operates

DWZ Group is exposed to risks in relation to the surface treatment business which includes, among others, those set out below.

The enlarged MClean Group will be exposed to such risks, upon completion of the Proposed Acquisition and the Proposed Diversification. The details of such risks, which are not exhaustive, are as set out below:

(i) Dependency on the HDD and E&E industries

As surface treatment and finishing are essential in HDD and electronics manufacturing, DWZ Group’s business is dependent on the growth of the HDD and electronics industries. As such, DWZ Group’s financial results may be adversely impacted by a reduction in sales volumes of HDD and electronic products.

The management of DWZ Group seeks to mitigate this risk by adopting prudent business strategies including effective risk management practices. MClean will continuously review DWZ Group's operations and keep abreast with the latest developments in the HDD and E&E industries to mitigate such risks. In addition, the key management of DWZ Group also procures alternative sources of information regarding market demand and consumer requirements including industry market research analysis as well as industry intelligence via their contacts and network to obtain better insights into the market outlook and therefore enabling the management of DWZ Group to optimise its cost via adjusting its capacities accordingly through the mobilization of contract workers and/or overtime weekend operations (where needed), so as to avoid any inadequate or excess capacities. Furthermore, the management of DWZ Group believes that it has developed close relationships with its customers and will continue take proactive measures to procure their customers as a recurring customers.

However, no assurance can be given that any changes in the above factors, which are beyond MClean Group's control, will not have any material and adverse impact to the business of the enlarged MClean Group.

(ii) Fluctuations in prices of raw materials

DWZ Group uses metal-based chemical solutions as raw materials and utilises the chemical solutions in the surface treatment and finishing process. The prices of the metal-based chemical solutions typically fluctuate in line with the prices of metals and thus, it is expected that DWZ Group will be exposed to such fluctuations. The prices of the metal-based chemical solutions can fluctuate in accordance to numerous factors which are beyond DWZ Group's control, and thus no assurance that any adverse movement in the demand and supply and prices of these raw materials will not adversely affect DWZ Group's profit margins and financial performance.

Notwithstanding the above, DWZ Group seeks to limit such risks by taking into consideration, amongst others, the trend of the fluctuations and the prices of the metal-based chemical solutions upon receiving contracts from its customers. Upon commencement of the surface cleaning job, DWZ Group will monitor closely the fluctuations in the prices of the metal-based chemical solutions. As and when DWZ Group experiences a substantial and/or unexpected increase in the prices of metal-based chemical solutions, DWZ Group would make the necessary arrangements with the customers to re-negotiate the pre-agreed contract value to enable DWZ Group to maintain an acceptable level of profitability or to reduce any losses incurred.

(iii) Competition risk

The surface treatment industry is presently moderately fragmented, and industry players consist of a mix of both local and foreign companies. DWZ Group faces competition from these existing competitors who may expand their business substantially and from new players coming into the industry. The management of DWZ Group believes it has developed close relationships with its customers and will continue take proactive measures to procure their customers as recurring customers.

There can be no assurance that DWZ Group will be able to maintain or increase its market share in the future or that DWZ Group will not be affected by the competitive strategies adopted by other players in the industry, including possible new and major entrants.

(iv) Dependence on key personnel

Being in a specialized industry, the continued growth and success of DWZ Group depends, to a certain extent, upon the abilities and continued efforts of its board of directors, senior management as well as skilled personnel. The continued performance and future success of DWZ Group hinges on the ability and continued efforts of the respective key management team of DWZ Group, who will be placed to work alongside the management of MClean Group. The sudden departure of any member(s) of the key management may adversely affect the operations and in turn, the performance of DWZ Group.

Although DWZ Group will strive to retain its existing key management personnel, attract new talent and reduce its dependency on its key management team, there can be no assurance DWZ Group would be successful in doing so. Failure by DWZ Group to do so could adversely affect DWZ Group's future performance and in turn, the performance of the enlarged MClean Group. Therefore, every effort is made by DWZ Group to attract and retain employees by providing inventive and competitive remunerations, and thus help to ensure the continued performance and success of DWZ Group in the future.

(v) Operational risks

DWZ Group may be affected by other potential operational risks including accidents, outbreaks of fire or floods and/or other natural disasters which may cause disruption or shortage in power supply, breakdown in machinery and/or equipment. This may cause disruptions to DWZ Group's machinery, equipment, significant damage to its manufacturing facilities and office, thus disrupting DWZ Group business operations.

DWZ Group has not in the past encountered any significant disruption in power supply or breakdown in machinery and/or equipment that resulted in an interruption or disruption in the operational continuity of the DWZ Group.

DWZ Group seeks to limit the above risks by equipping itself with the required fire-fighting equipment, purchasing sufficient insurance coverage for its properties and equipment and ensuring all safety requirements stipulated in the various licenses issued by relevant authorities are adhered to. In addition, DWZ Group holds regular meetings and discussions with its staff to identify and mitigate any foreseeable problems in its business operations by conducting various in-house briefings on safety requirements.

7.3 Integration risks

Business integration risks between DWZ Group and MClean Group would include the integration of the combined workforce, overlapping job functions and redundant business units, as well as the inability to fully realise the expected business synergies.

Nevertheless, upon completion of the Proposed Acquisition, the enlarged MClean Group will undertake necessary efforts to mitigate such risks and ensure that a proper integration exercise and management structure will be put in place to ensure a successful integration.

No assurance can however be given that such integration efforts will not have a material adverse effect on the enlarged MClean Group's business performance and prospects.

7.4 New substantial shareholders' interest may not be aligned with those of the existing MClean shareholders

The Proposed Acquisition will involve the issuance of the Consideration Shares to the Vendor. Upon completion of the Proposed Acquisition, the shareholding of Decor in MClean will be approximately 32.44% for the Minimum Scenario (Proforma I) and 24.25% for the Maximum Scenario (Proforma II), respectively (Section 8.4 of this announcement contains further details). As a result, Decor may be able to influence the outcome of certain matters requiring the vote of the shareholders of MClean unless Decor is required to abstain from voting either by law and/or by the authorities.

Notwithstanding the above, in view of the fact that principal activities of DWZ Group are within the same value chain of the electronic industry that MClean Group is in, MClean believes that the maximation of the enlarged MClean Group's shareholders value will be one of the core investment objective of both MClean and DWZ Group.

7.5 Non-completion of the SSA

If any Condition Precedent in the SSA is not fulfilled or waived (as the case may be), the Proposed Acquisition may be delayed or terminated, thus resulting in non-materialisation of the potential benefits expected to arise from the Proposed Acquisition. The Board seeks to limit such a risk by taking all reasonable steps towards the fulfilment or waiver of the Conditions Precedent so as to enable the completion of the Proposed Acquisition.

7.6 Non-fulfillment of obligation under the Profit Guarantee

Pursuant to the terms of the SSA, the Vendor irrevocably and unconditionally guarantees that DWZ Group shall achieve the Profit Guarantee for the Profit Guarantee Period. This risk is mitigated by the requirement for the Vendor to compensate for any shortfall.

The risk is further mitigated by virtue of the Consideration Shares being charged as security for the Profit Guarantee under the SSA and the Consideration Shares will be held by an appointed stakeholder until the certification by the auditor that there is no shortfall in the First Guaranteed Amount and Second Guaranteed Amount. Section 2.2.4 of this announcement contains further details on the terms of the Profit Guarantee.

7.7 Political and economic risk

DWZ Group's financial and business prospects as well as those of the surface treatment and finishing industry in which it operates in will depend to some degree on developments in the economic, political and regulatory front in which it operates. Among the pertinent factors are changes in inflation rates, interest rates, war, terrorism activities, riots, expropriations, and unfavourable changes in government policies such as for licensing regulations.

DWZ Group will continue to adopt measures, such as prudent management and efficient operating procedures, to effectively mitigate these factors. However, there can be no assurance that adverse economic, political and regulatory changes will not materially affect the enlarged MClean Group's business.

8. EFFECTS OF THE PROPOSALS

8.1 Issued and paid –up share capital

For illustrative purposes, the pro-forma effects of the Proposed Acquisition and Proposed Free Warrants Issue are as illustrated below based on the following scenarios:

Minimum Scenario	:	Assuming **none** of the 58,700,000 five (5)-year 2011/2016 warrants ("**Warrants 2011/2016**") is exercised into new MClean Shares prior to the Proposed Acquisition.
Maximum Scenario	:	Assuming **full** exercise of the Warrants 2011/2016 into new MClean Shares prior to the Proposed Acquisition.

The Proposed Diversification will have no effect on MClean's issued and paid-up share capital.

The pro-forma effects of the Proposed Acquisition and Proposed Free Warrants Issue on MClean's issued and paid-up share capital are as follows:

Minimum Scenario

	No. of MClean Shares	**RM**
Issued and paid-up share capital as at the LPD	117,400,000	29,350,000
Issuance of Consideration Shares pursuant to the Proposed Acquisition	56,378,000	14,094,500
	173,778,000	43,444,500
To be issued pursuant to the full exercise of Warrants 2011/2016*	58,700,000	14,675,000
To be issued pursuant to the full exercise of New Warrants	28,176,000	7,044,000
Enlarged issued and paid-up share capital	260,654,000	65,163,500

Maximum Scenario

	No. of MClean Shares	**RM**
Issued and paid-up share capital as at the LPD	117,400,000	29,350,000
To be issued pursuant to the full exercise of Warrants 2011/2016*	58,700,000	14,675,000
	176,100,000	44,025,000
Issuance of Consideration Shares pursuant to the Proposed Acquisition	56,378,000	14,094,500
	232,478,000	58,119,500
To be issued pursuant to the full exercise of New Warrants	42,264,000	10,566,000
Enlarged issued and paid-up share capital	274,742,000	68,685,500

Note:

* *A total of 58,700,000 Warrants 2011/2016 are unexercised as at the LPD.*

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8.2 NA and gearing

The Proposed Diversification in itself will have no immediate impact on MClean Group's NA and gearing.

The pro-forma effects of the Proposed Acquisition and Proposed Free Warrants Issue on the NA and gearing of the MClean Group based on the audited consolidated financial statements of MClean as at 31 December 2014 are as follows:

Minimum Scenario

	(Audited) **As at 31 December 2014 (RM)**	**(I)** **After the Proposed Acquisition (RM)**	**(II)** **After (I) and Proposed Free Warrants Issue (RM)**	**(III)** **After (II) and full exercise of Warrants 2011/2016 and New Warrants (RM)**
Share capital	29,350,000	43,444,500	43,444,500	65,163,500
Share premium	3,420,082	3,420,082	3,420,082	24,669,482
Other reserves	(13,981,162)	(13,981,162)	(13,981,162)	(19,381,562)
(Accumulated losses)/ Retained earnings	(1,606,582)	(2,306,582)#	(2,306,582)	(2,306,582)
Shareholders' funds/NA	17,182,338	30,576,838	30,576,838	68,144,838
No. of MClean Shares in issue	117,400,000	173,778,000	173,778,000	260,654,000
NA per MClean Share (RM)	0.15	0.18	0.18	0.26
Total borrowings	4,263,319	4,263,319	4,263,319	4,263,319
Gearing (times)	0.25	0.14	0.14	0.06

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Maximum Scenario

	(Audited) As at 31 December 2014 (RM)	(I) Assume full exercise of Warrants 2011/2016 (RM)	(II) After (I) and Proposed Acquisition (RM)	(III) After (II) and Proposed Free Warrants Issue (RM)	(IV) After (III) and full exercise of Warrants 2011/2016 and New Warrants (RM)
Share capital	29,350,000	44,025,000	58,119,500	58,119,500	68,685,500
Share premium	3,420,082	24,669,482	24,669,482	24,669,482	24,669,482
Other reserves	(13,981,162)	(19,381,562)	(19,381,562)	(19,381,562)	(19,381,562)
(Accumulated losses)/ Retained earnings	(1,606,582)	(1,606,582)	(2,306,582)[#]	(2,306,582)	(2,306,582)
Shareholders' funds/NA	17,182,338	47,706,338	61,100,838	61,100,838	71,666,838
No. of MClean Shares in issue	117,400,000	176,100,000	232,478,000	232,478,000	274,742,000
NA per MClean Share (RM)	0.15	0.27	0.26	0.26	0.26
Total borrowings	4,263,319	4,263,319	4,263,319	4,263,319	4,263,319
Gearing (times)	0.25	0.09	0.07	0.07	0.06

Note:

\# *After deducting the estimated expenses of RM700,000 for the Proposals.*

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8.3 Earnings and EPS

The Proposals are not expected to have any material impact on the earnings of the MClean Group for the financial year ending 31 December 2015, other than the expenses related to the Proposals.

The Proposed Acquisition and Proposed Diversification are expected to contribute positively to the future earnings of the MClean Group as the Board views the prospects of DWZ Group favourably.

Issuance of the Consideration Shares and the exercise of the New Warrants will dilute the MClean Group's EPS as a result of the increased number of Shares in issuance. The extent of EPS dilution will be determined by the number of exercised New Warrants. Future returns generated from the utilisation of the proceeds arising from the exercise of the New Warrants are however expected to have a positive impact on the EPS.

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The pro-forma effects of the Proposed Acquisition on the earnings and the Proposed Acquisition and Proposed Free Warrants Issue to the EPS of the MClean Group assuming the said proposals had been effected as at the beginning of the FYE 31 December 2014 are as follows:

Minimum Scenario

	(Audited) **As at 31 December 2014 (RM)**	**(I)** **After the Proposed Acquisition (RM)**	**(II)** **After (I) and Proposed Free Warrants Issue (RM)**	**(III)** **After (II) and full exercise of the Warrants 2011/2016 and New Warrants (RM)**
Net loss for the financial year attributable to the owners of MClean	(5,591,890)	(5,708,079)[#^]	(5,708,079)	(5,708,079)
Number of Shares	117,400,000	173,778,000	173,778,000	260,654,000
Basic LPS (sen)^	(4.76)*	(3.28)	(3.28)	(2.19)

Maximum Scenario

	(Audited) **As at 31 December 2014 (RM)**	**(I)** **Assume full exercise of the Warrants 2011/2016 (RM)**	**(II)** **After (I) and the Proposed Acquisition (RM)**	**(III)** **After (II) and Proposed Free Warrants Issue (RM)**	**(IV)** **After (III) and full exercise of the New Warrants (RM)**
Net loss for the financial year attributable to the owners of MClean	(5,591,890)	(5,591,890)	(5,708,079)[#^]	(5,708,079)	(5,708,079)
Number of Shares	117,400,000	176,100,000	232,478,000	232,478,000	274,742,000
Basic LPS (sen)^	(4.76)*	(3.18)	(2.46)	(2.46)	(2.08)

Notes:

* *The basic loss per Share ("**LPS**") is as extracted from the audited financial statements of MClean for the FYE 31 December 2014 and computed based on the weighted average number of Shares.*

\# *Taking into consideration the estimated expenses of RM700,000 for the Proposals.*

^ *Incorporating 55% of DWZ's unaudited consolidated PAT for the FYE 31 December 2014 of approximately RM1,061,474.*

8.4 Substantial shareholders' shareholdings

The Proposed Diversification will have no effect on MClean's substantial shareholders' shareholdings in MClean.

The pro-forma effects of the Proposed Acquisition and Proposed Free Warrants Issue on the direct and indirect shareholdings of the substantial shareholders of MClean as at the LPD are as follows:

Minimum Scenario

	As at the LPD				(I) After the Proposed Acquisition				(II) After (I) and Proposed Free Warrants Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of MClean Shares ('000)	%	No. of MClean Shares ('000)	%	No. of MClean Shares ('000)	%	No. of MClean Shares ('000)	%	No. of MClean Shares ('000)	%	No. of MClean Shares ('000)	%
JCS Group Pte Ltd	38,748	33.01	-	-	38,748	22.30	-	-	38,748	22.30	-	-
Yeo Hock Huat	21,117	17.99	39,748 *	33.86	21,117	12.15	39,748 *	22.87	21,117	12.15	39,748*	22.87
Chow Kok Meng, Bert	8,920	7.60	-	-	8,920	5.13	-	-	8,920	5.13	-	-
Decor	-	-	-	-	56,378	32.44	-	-	56,378	32.44	-	-

	(III) After (II) and full exercise of the Warrants 2011/2016 and New Warrants			
	Direct		Indirect	
Name	No. of MClean Shares ('000)	%	No. of MClean Shares ('000)	%
JCS Group Pte Ltd	69,421	26.63	-	-
Yeo Hock Huat	38,366	14.72	70,662*	27.11
Chow Kok Meng, Bert	15,021	5.76	-	-
Decor	56,378	21.63	-	-

Maximum Scenario

Name	As at the LPD				(I) Assume full exercise of the Warrants 2011/2016				(II) After (I) and the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%
JCS Group Pte Ltd	38,748	33.01	-	-	60,122	34.14	-	-	60,122	25.86	-	-
Yeo Hock Huat	21,117	17.99	39,748 *	33.86	33,298	18.91	61,122 *	34.71	33,298	14.32	61,122 *	26.29
Chow Kok Meng, Bert	8,920	7.60	-	-	12,880	7.31	-	-	12,880	5.54	-	-
Decor	-	-	-	-	-	-	-	-	56,378	24.25	-	-

Name	(III) After (II) and Proposed Free Warrants Issue				(IV) After (III) and full exercise of the Warrants 2011/2016 and New Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%	No. of MClean Shares (’000)	%
JCS Group Pte Ltd	60,122	25.86	-	-	74,551	27.13	-	-
Yeo Hock Huat	33,298	14.32	61,122 *	26.29	41,290	15.03	75,791 *	27.59
Chow Kok Meng, Bert	12,880	5.54	-	-	15,971	5.81	-	-
Decor	56,378	24.25	-	-	56,378	20.52	-	-

Notes:

* *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 Act.*

8.5 Convertible securities

As at the LPD, the Company does not have any convertible securities other than its existing Warrants 2011/2016.

9. APPROVALS REQUIRED

The Proposals require approvals to be obtained from:

(i) Bursa Securities for the:

(a) listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition;

(b) admission of the New Warrants to the Official List and the listing of and quotation for the New Warrants to be issued pursuant to the Proposed Free Warrants Issue; and

(c) listing of and quotation for the new MClean Shares to be issued pursuant to the exercise of the New Warrants;

on the ACE Market of Bursa Securities;

(ii) the shareholders of the Company at an extraordinary general meeting ("**EGM**") to be convened; and

(iii) any other relevant authorities/parties, if required.

10. INTER-CONDITIONALITY

The Proposed Acquisition and Proposed Diversification are inter-conditional with each other. The Proposed Free Warrants Issue is conditional upon the Proposed Acquisition and Proposed Diversification but not vice versa.

The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of the Company and/or persons connected with them has any direct or indirect interest in the Proposals, other than entitlement to the New Warrants if they are also shareholders of the Company. Such entitlement to the New Warrants is available to all other shareholders of the Company on the Entitlement Date.

12. DIRECTORS' STATEMENT

The Board is of the opinion that the Proposals are in the best interest of the Company, after considering all aspects of the Proposals.

13. ADVISER

TA Securities has been appointed as the Adviser in relation to the Proposals.

14. ESTIMATED TIME FRAME FOR COMPLETION

The Board expects the Proposals to be completed in the third (3^{rd}) quarter of 2015, barring any unforeseen circumstances.

15. APPLICATIONS TO RELEVANT AUTHORITIES

An application to Bursa Securities in respect of the Proposed Acquisition and Proposed Free Warrants Issue is expected to be submitted within one (1) month from the date of this announcement.

16. DOCUMENTS FOR INSPECTION

A copy of the SSA is made available for inspection at the registered office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Pamlee, 50250 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 5 June 2015.

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1. HISTORY AND BUSINESS

DWZ is principally a surface treatment and finishing specialist. The business activities of DWZ involve the provision of metal plating and coating services for various industries, primarily hard disc drive, electronics, vehicle, as well as the oil and gas and petrochemical industries.

DWZ commenced active operations in surface treatment and finishing when it was incorporated on 18 September 1996 as a private limited company. In its early years of operations, DWZ primarily served the HDD market, and was thus focused on providing metal plating and coating services to HDD manufacturers. DWZ grew organically over the years as it expanded its customer base by venturing into other industries, where it provided surface treatment and finishing for components and parts in electronics (including office equipment and telecommunication devices), vehicles (i.e., automotive and bicycles), as well as equipment used in the oil, gas and petrochemical industry.

In view of the expansion of its business, DWZJ was incorporated on 28 April 2006 as DWZ’s wholly-owned subsidiary, to primarily serve the HDD market, while DWZ continued to focus on growing its business from other industries.

1.1. Principal activities, products and services

DWZ Group is principally involved in the provision of surface treatment and finishing services for various industries, primarily HDD, electronics, vehicles, as well as the oil and gas and petrochemical industries.

Surface treatment and finishing is a type of industrial process performed on surfaces of metal and non-metal products, components and parts for the purpose of providing protection from corrosion or damage, improving the appearance of the final product, increasing the product’s surface solidity and resistance, and/or improving adhesion to other treatments such as painting or coatings. Surface treatment and finishing is an important process which is performed during the final stages of manufacturing or product fabrication, following which these components and parts will be placed in a clean room to undergo precision cleaning and washing, prior to being assembled into a fully functioning finished product.

The capabilities of DWZ Group include the following:

(i) Electroplating and electroless plating

DWZ Group’s core expertise lie in electroplating and electroless plating, where it provides plating using, amongst others, the following metals: nickel, copper, silver, tin, zinc ion and gold.

Electroplating is a process which utilises electric current to form a coherent metal coating onto metal and non-metal surfaces. It has many benefits including increasing or decreasing electrical conductivity, improving durability, enhancing physical properties such as improving solidity, resistance and aesthetic properties, increasing anti-corrosive properties and improving paint adhesion. Electroplating is important in many industrial applications, and key end-user industries include electronics, automotive, aerospace products, as well as machinery and equipment.

On the other hand, electroless plating is a reaction used to deposit a metal coating onto a metal surface, without the use of electric current during the process. Among the major benefits of electroless plating are for corrosion protection, improved durability, and increased solidity and resistance of the surface. As such, it is typically used in motors and valves, fixtures and electronic components.

DWZ Group's factory is equipped with automated plating machinery, which automatically control the electroplating and electroless plating processes including pre-treatment, plating, and post-treatment (i.e., processes which enable the treated surface to set and dry).

(ii) Pre-treatment services

Pre-treatment services involve the preparation of surfaces prior to the treatment of the respective surface, mainly to remove contamination, remove unwanted nicks and fragments, as well as ensure adhesion of coating or finishing to the surface. The list of pre-treatment services offered by DWZ Group are as follows:

(a)	Deburring	:	a method used in industrial settings and manufacturing environments, where nicks and fragments, which are present after welding, moulding, casting, trimming, slitting or shearing, are removed from metal surfaces, typically with the use of a grinder.
(b)	Tumbling	:	a technique for smoothing and polishing a rough surface on relatively small parts, through the use of a rotating barrel. In some cases, a lubricant or aqueous solution can be used to aid the process, prevent rusting and promote cleaning.
(c)	Bead blasting (also known as sand blasting and shot blasting)	:	A process where a particular material is blown or propelled against a surface in order to remove dirt, rust and scale, to prepare a surface for the application of coats and finishing.
(d)	Aluminium etching	:	a process of printing or marking a design onto aluminium surfaces, through the use of chemicals.

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(iii) Additional surface treatment and finishing services

In addition to the above, DWZ Group also offers the following surface treatment and finishing services:

(a)	Passivation	:	a process of applying a light coat of protective material onto metal surfaces, in order to prevent corrosion, and strengthen and preserve appearances of metal surfaces.
(b)	Spray painting	:	a technique of applying paint on a surface, utilising a spray method.
(c)	Powder coating	:	a dry finishing process of covering a surface with polyester or epoxy powder, and heating this coating to form a protective layer on metal and non-metal surfaces.
(d)	Phosphate coating	:	an immersion method of coating, which is mainly used to increase corrosion protection and improve friction properties. Manganese phosphating is typically used for corrosion protection, anti-galling and lubricity, while zinc phosphating is used mainly for rust proofing.
(e)	Electrochemical polishing	:	a reverse process to electroplating, where metal material from treated surfaces are removed, as opposed to being deposited as in electroplating. Electrochemical polishing enables improved surface characteristics such as improved smoothness, reflectivity, cleanliness and passivity (or corrosion prevention).

(iv) Other services

In some cases, DWZ Group also offers precision cleaning services to their customers. Precision cleaning is characterised by the consistent and thorough cleaning of components and parts, and is generally done in a controlled environment known as a “clean room”.

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2. SUMMARY OF HISTORICAL FINANCIAL RESULTS OF DWZ GROUP

A summary of the financial information of DWZ Group for the latest four (4) financial years from the FYE 31 December 2011 to FYE 31 December 2014 are as follows:

	<--------------------AUDITED		**----------------->**	**<-UNAUDITED->**
	FYE 31 December 2011	**FYE 31 December 2012**	**FYE 31 December 2013**	**FYE 31 December 2014**
	RM	**RM**	**RM**	**RM**
Revenue	27,113,641	31,531,751	26,388,458	21,674,425
Profit before tax (“**PBT**”)	2,114,796	3,119,834	4,156,343	1,523,304
Profit after tax (“**PAT**”)	1,795,088	2,645,775	3,602,220	1,061,474
Paid-up share capital	1,000,000	1,000,000	1,000,000	1,000,000
Shareholders’ funds/NA	20,138,841	21,656,556	25,258,776	30,070,229
Total borrowings	2,289,921	1,854,762	1,532,581	1,196,006
Current assets	16,276,470	18,357,679	21,815,429	19,802,426
Current liabilities	6,638,868	7,236,319	6,161,229	4,489,509
Number of DWZ Shares in issue	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average number of DWZ Shares	1,000,000	1,000,000	1,000,000	1,000,000
Gross EPS (RM)	2.11	3.12	4.16	1.52
Net EPS (RM)	1.80	2.65	3.60	1.06
NA per DWZ Share (RM)	20.14	21.66	25.26	30.07
PBT margin (%)[(1)]	7.80	9.89	15.75	7.03
PAT margin (%)[(2)]	6.62	8.39	13.65	4.90
Gearing ratio (times)[(3)]	0.11	0.09	0.06	0.04
Current ratio (times)	2.45	2.54	3.54	4.41

Notes:

(1) Computed based on PBT over revenue.

(2) Computed based on PAT over revenue.

(3) Computed based on total borrowings over NA.

Commentaries:

(a) FYE 31 December 2012 vs FYE 31 December 2011

DWZ Group’s revenue increased by RM4.42 million or 16.29% from RM27.11 million for the FYE 31 December 2011 to RM31.53 million for the FYE 31 December 2012. The increased revenue was mainly due to new contracts and new customers secured by the DWZ Group during the year.

In line with the increased revenue, DWZ Group's recorded an increase in PBT of RM1.01 million or 47.52% from RM2.11 million for the FYE 31 December 2011 to RM3.12 million for the FYE 31 December 2012. The improved PBT and PAT margins for the FYE 31 December 2012 were also attributable to lower directors' remuneration and other operating expenses**.**

The higher current ratio for the FYE 31 December 2012 was mainly due to the higher amount of trade receivables arising from higher revenue during the year as well as more cash at bank and in hand resulting from higher revenue collection.

(b) FYE 31 December 2013 vs FYE 31 December 2012

DWZ Group's revenue decreased by RM5.14 million or 16.31% from RM31.53 million for the FYE 31 December 2012 to RM26.39 million for the FYE 31 December 2013. The decreased revenue was mainly due to the lower number of high value contracts during the year.

However, DWZ Group recorded an increase in PBT of RM1.04 million or 33.22% from RM3.12 million for the FYE 31 December 2012 to RM4.16 million for the FYE 31 December 2013. The increased PBT and improved PBT and PAT margins for the FYE 31 December 2013 were attributable to less raw materials and consumables used, lower directors' remunerations, absence of bad debts written off and lower employee-related expenses**.**

The higher current ratio for the FYE 31 December 2013 was mainly due to the higher amount of fixed deposits to be pledged for its bank guarantees, higher amount of cash at bank and in hand resulting from better collection from trade receivables and higher net amount of intercompany balances due to DWZ.

(c) FYE 31 December 2014 vs FYE 31 December 2013

DWZ Group's revenue decreased by RM4.71 million or 17.86% from RM26.39 million for the FYE 31 December 2013 to RM21.67 million for the FYE 31 December 2014. The decreased revenue was mainly due to the lower number of high value contracts during the year.

DWZ Group's PBT decreased by RM2.63 million or 63.35% from RM4.16 million for the FYE 31 December 2013 to RM1.52 million for the FYE December 2014. The decreased PBT and declined PBT and PAT margins for the FYE 31 December 2014 were mainly attributable to higher directors' remunerations, bad debts written off and higher upkeep of plant and machinery (i.e., replacement of pumps, machine parts, oven parts as well as modification and repair works of machineries). The higher directors' remunerations were due to directors' bonuses for the financial year 2013 being accounted for and paid in the financial year 2014 instead.

The higher current ratio for the FYE 31 December 2014 was mainly due to the higher net amount of intercompany balances due to DWZ and this was partially offset by decreased trade receivables (which was due to the bad debts written off).

3. GROUP STRUCTURE OF DWZ

As at the LPD, DWZ has a wholly owned subsidiary, namely DWZJ, and it does not have any associated company.