

## MCLEAN TECHNOLOGIES BERHAD (“MCLEAN” OR THE “COMPANY”)

### PROPOSED SHAREHOLDERS’ RATIFICATION AND RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE (“RRPT”) (“PROPOSED SHAREHOLDERS’ MANDATE”)

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#### 1. INTRODUCTION

The Board of Directors of MClean (“**Board**”) wishes to announce that the Company intends to seek the Proposed Shareholders’ Mandate for RRPT at its Sixth Annual General Meeting (“**Sixth AGM**”), including for the RRPT between its 55% equity-owned subsidiary DWZ Industries Sdn Bhd (“**DWZ**”) and Decor Industries Pte Ltd (“**Decor**”).

#### 2. INFORMATION ON DWZ AND DECOR

##### 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 involved in the business of surface finishing of metal parts and non-metal parts for electrical and electronic industries as well as oil & gas and petrochemical industries.

As at 17 March 2016 being the latest practicable date prior to this announcement (“**LPD**”), DWZ has an authorised share capital of Ringgit Malaysia (“**RM**”) 1,000,000 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 (“**LHK**”), Teoh Kim Guan, Ng Ah Kiat, Lim King Tee and Yeo Hock Huat (“**YHH**”).

On 9 October 2015, MClean completed its acquisition of 55% equity interests in DWZ from Decor (“**Acquisition**”). The purchase consideration of the Acquisition was fully satisfied via issuance of 56,378,000 new ordinary shares of RM0.25 each in MClean (“**MClean Shares**” or “**Shares**”) to Decor. After the Acquisition, Decor holds the remaining 45% equity interests in DWZ.

##### Information on Decor

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 Singapore Dollar (“**SGD**”) 2,800,000 comprising 2,800,000 ordinary shares. The directors of Decor are LHK, 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 as well as 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. The directors of DGC are LHK and Chua Chee Tiong.

### 3. DETAILS OF THE RRPT

The details of the RRPT are as follows:

No.	Name of company	Transacting party	Nature of transactions	Proposed Shareholders' Ratification	Proposed Shareholders' Mandate
				Estimated transaction value from 9 October 2015 <sup>(1)</sup> to date of Sixth AGM*	Estimated transaction value from date of Sixth AGM to date of Seventh AGM*
1.	DWZ	Decor	(i) Provision of surface treatment and finishing services by DWZ to Decor <sup>(2)</sup>	Up to RM6.00 million	Up to RM 9.00 million
			(ii) Provision of support services by Decor to DWZ <sup>(3)</sup>	Up to RM2.00 million	Up to RM 3.00 million

Notes:

\* At the exchange rate of SGD1.00 : RM2.9909, being the middle rate at 5.00 p.m. on 17 March 2016 (Source: Bank Negara Malaysia website).

(1) The Acquisition was completed on 9 October 2015.

(2) DWZ is providing surface treatment and finishing services to Decor on a job-to-job basis and invoices Decor accordingly. Decor is effectively acting as an intermediary to DWZ and DWZ's customers in Singapore.

(3) Decor is contractually providing the following support services ("**Support Services**") to DWZ:

- (a) marketing function whereby Decor will source for new customers in Singapore and Indonesia, making sales presentations and coordinating quotations to current and potential customers, the ongoing exercise of the administration of customer orders, which comprise recording customer orders, monitoring delivery of products, ensuring that product quality meet customers' requirements, meeting existing customers to understand their requirements and to take their orders; and responding to customers' general enquiries;
- (b) sub-contract of intensive cleaning process – inspection of products, use of LPC (Liquid Particle Count) machine and cleanroom facility to detect and buff-off contaminants.
- (c) sub-contract of final phase of treatment – use of equipment to touch-up product and other processes, sorting clamps and spacer on products and combine/ re-packing of products to meet customers' requirements done at Decor's plant in Singapore.
- (d) use of warehouse space at Decor plant in Singapore as temporary storage, handling and transportation.

In return, DWZ is paying to Decor a monthly fee ("**Fee**") of approximately SGD40,000 (equivalent to approximately RM120,000) which is not fixed in amount and is dependent on the volume of services provided. Decor has been providing the Support Services to DWZ prior to the Acquisition.

In addition, Decor is also facilitating the physical transactions of goods, delivery notes, invoicing and collection of amounts payable to DWZ. In return, Decor charges a handling fee of five percent (5%) of the amount invoiced by DWZ to Decor on a monthly basis (in relation to note (2) above).

#### 4. RATIONALE

The provision of surface treatment and finishing services by DWZ to Decor are of a revenue or trading nature, are necessary for the day-to-day operations and are within the ordinary course of business of MClean and its group of companies (“MClean Group”).

The provision of support services by Decor to DWZ are for services performed and billed in the normal course of business and were already in practice for efficient business operations even before the Acquisition, when DWZ was wholly-owned by Decor. Subsequent to the Acquisition, MClean as the major shareholder of DWZ, is of the view that the support services should be maintained to minimise any disruption to the daily operations of DWZ after the Acquisition.

The RRPT are intended to meet the business needs of the MClean Group at the best possible terms. The RRPT are entered into at arms’ length basis and undertaken at the prevailing prices and market rates which are based on normal commercial terms consistent with MClean Group’s usual business practices and policies and on terms which are not more favourable to the related party than those generally available to the public.

The Board therefore intends to seek its shareholders’ ratification for the RRPT undertaken between DWZ and Decor for the period between 9 October 2015, being the date of the completion of the Acquisition, and the date of the forthcoming Sixth AGM. Shareholders’ approval will also be sought for the RRPT between DWZ and Decor to be undertaken from the date of the Sixth AGM until the conclusion of the Seventh AGM of the Company to be convened on a date to be determined in 2017.

#### 5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the other Directors, major shareholders or persons connected with them has any interest, direct or indirect, in the Proposed Shareholders’ Mandate:

	Direct		Indirect	
	No. of MClean Shares	%	No. of MClean Shares	%
<b>As at the LPD</b>				
<b>Interested director</b>				
LHK	80,000	0.04	56,785,000 <sup>@</sup>	31.76
<b>Interested major shareholder</b>				
Decor	56,378,000	31.54	-	-
DGC	-	-	56,378,000 <sup>^</sup>	31.54

Notes:

<sup>@</sup> Deemed interested by virtue of his shareholding in DGC and his sister’s shareholding in MClean, pursuant to Section 6A of the Companies Act, 1965.

<sup>^</sup> Deemed interested by virtue of its 100% shareholding in Decor.

LHK is a Director of MClean, Decor, DGC and DWZ as well as a controlling shareholder of DGC. He, being an interested director (“Interested Director”) in relation to the Proposed Shareholders’ Mandate, has accordingly abstained and will continue to abstain from all deliberations and voting at Board meetings pertaining to the Proposed Shareholders’ Mandate and he will also abstain from voting in respect of his direct and indirect shareholdings on the resolution pertaining to the Proposed Shareholders’ Mandate at the forthcoming Sixth AGM. He has also undertaken to ensure that any persons connected with him, will abstain from voting on the resolution pertaining to the Proposed Shareholders’ Mandate at the Sixth AGM.

Decor (being a major shareholder of MClean and DWZ) and DGC (being the shareholder of Decor) are interested major shareholders (“**Interested Major Shareholders**”) in relation to the Proposed Shareholders’ Mandate and will abstain from voting in respect of their direct and indirect shareholdings on the resolution pertaining to the Proposed Shareholders’ Mandate at the Sixth AGM. The Interested Major Shareholders have undertaken to ensure that any persons connected with them will abstain from voting on the resolution pertaining to the Proposed Shareholders’ Mandate at the Sixth AGM.

**6. APPROVAL REQUIRED**

At the forthcoming Sixth AGM, the Company will seek the Proposed Shareholders’ Mandate for the RRPT set out in this announcement as well as for other existing and new RRPT to be proposed, if any. Details of all such RRPT will be set out in the Company’s circular to its shareholders, which will be despatched in due course.

**7. DIRECTORS’ RECOMMENDATION**

The Board (save for LHK who is an Interested Director) is of the opinion that the RRPT are in the best interest of the MClean Group, after having considered all aspects of the RRPT.

**8. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee, having considered all aspects of the RRPT, is of the view that the RRPT are fair, reasonable and on normal commercial terms, are in the best interest of the Company and are not detrimental to the interest of the minority shareholders of the Company.

This announcement is dated 21 March 2016.