

INDEMNITY AGREEMENT ENTERED FOR COMPENSATION FROM DECOR INDUSTRIES PTE. LTD. ("DECOR") TO MCLEAN TECHNOLOGIES BERHAD ("MCLEAN") FOR PETRONAS GAS BERHAD'S CASE

1. INTRODUCTION

Pursuant to the Written Share Sale Agreement dated 5th June 2015 and subject to the terms, conditions and warranties contained therein, Decor Industries Pte. Ltd. (Company No. 198701644C) ("**Decor**") sold to MCLEAN, 550,000 ordinary shares of DWZ Industries Sdn. Bhd. ("**DWZ Industries**") at the price of RM 1.00 per share, and DWZ Industries (Johor) Sdn. Bhd. ("**DWZ Industries Johor**") held 55% equity interest of DWZ Industries. [both DWZ Industries and DWZ Industries Johor collectively known as "**DWZ Entities**"]

Both DWZ Industries and DWZ Industries (Johor) have been served with a lawsuit from Petronas Gas Berhad ("**PGB**") at the Johor Bahru High Court under Suit No: JA-22NCVC-204-10/2016 for the rupture of a gas pipeline belonging to PGB which occurred on the 4th of October 2015. The Johor Bahru High Court, after hearing evidence and submissions at full trial, made findings of fact that the cause of the damage to the pipeline was the untreated effluents which were allowed to escape into PGB's land due to an illegal fitting done by DWZ Industries and DWZ Industries (Johor), and the fitting had ruptured at some point, causing the damage to the pipeline. Developments of the case were updated through announcements release on 29 February 2016, 3 March 2016, 1 November 2016, 8 May 2017, 25 May 2017, 29 June 2017, 31 July 2017, 8 August 2017, 2 February 2018, 19 December 2018, 17 January 2019 and 9 December 2019.

(hereinbefore referred to as the "**Petronas Gas Berhad Case**")

2. DETAILS OF THE PETRONAS GAS BERHAD CASE

After the several court hearing (including hearing of the appeal), PGB and DWZ Entities were desirous of settling their dispute and in consideration of DWZ Entities withdrawing their appeal to the Court of Appeal, parties agreed vide a written Settlement Agreement dated 9th January 2020 ("**Settlement Agreement**") that the total liability of DWZ Entities was limited to RM 3,150,000.00 ("**Settlement Amount**") with the sum being paid in 24 monthly installments of RM 131,250.00 each by way of post dated cheques and that in the event of default, the entire sum of RM 3,150,000.00 or balance outstanding thereof would be immediately due and payable.

Decor acknowledged that the actions of DWZ Entities in constructing the illegal fitting trespassing onto the land owned by Petronas Gas Berhad as well as the illegal bypass to the front of the property owned by DWZ Industries was in breach of the operating license given by the Department of Environment as well as an actionable tort which would have led prosecution by the authorities and an action for damages for trespass, nuisance, breach of statutory duty and negligence by PGB and Petronas Berhad. By failing to disclose these material circumstances to MCLEAN prior to the Share Sale Agreement of 5th June 2015, Decor were in breach of the warranties contained in the said Share Sale Agreement.

In consideration of the above case, Decor hereby agreed to enter into an **Indemnity Agreement ("Agreement")** with **Decor Industries Pte. Ltd.** and Decor agreeing to indemnify the Company, **MCLEAN TECHNOLOGIES BERHAD**, as follows and upon the terms and subject to the conditions as stipulated in the Agreement including any amendments, variations, additions or substitution thereto: -

1. Indemnify MCLEAN for the amount of RM 1,732,500.00 (Ringgit Malaysia: One Million Seven Hundred and Thirty Two and Five Hundred only) ("**Indemnity Sum**") being 55% of the total settlement amount of RM 3,150,000.00, such Indemnity Sum being paid in 24 equal monthly payment of RM 72,187.50 per calendar month in 24 equal post dated cheques make payable to MCLEAN which has to be handed over within seven days of the date of this Agreement. In the event of any default the entire sum of RM 1,732,500.00 or balance outstanding thereof would be immediately due and payable.

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2. Indemnify MCLEAN for the amount of RM 853,850.00 (Ringgit Malaysia: Eight Hundred and Fifty Three Thousand Eight Hundred and Fifty only) being 55% of the total costs and expenses related to the defence of the suit including but not limited to solicitor client costs, fees and expenses by experts as well as witness attendances totaling RM 1,552,454.00 ("Legal Fees") with the said payment being paid in 24 equal monthly payment of RM 35,577 per calendar month in 24 equal post-dated cheques makes payable to MCLEAN which has to be handed over within seven days of the date of this Agreement. In the event of any default the entire sum of RM 853,850 or balance outstanding thereof would be immediately due and payable.

3. INTERESTED DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save for Mr Lim Han Kiau, a Director of MCLEAN and his deemed interest in Decor Industries Sdn. Bhd., none of the other Directors, and/or major shareholders of MCLEAN and/or persons connected with them, have any interest, directly and/or indirectly.

4. EFFECTS ON FINANCIAL POSITION

The Indemnity Agreement entered will have a favourable effect of increasing both the earnings per share and net tangible asset per share by approximately 1 sen for the current financial year.

5. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of the Company, having considered all aspects of the Indemnity Agreement is of the opinion that it is in the best interest for the Group.

6. DOCUMENTS FOR INSPECTION

A copy of the Indemnity Agreement dated 30 October 2020 is available for inspection at the registered office of MCLEAN at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor during the normal office hours from Monday to Friday (except Public Holiday) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 30 October 2020.