RECLAIMS GLOBAL LIMITED
(Company Registration No: 201834755M)
(Incorporated in the Republic of Singapore)

EXECUTION OF MEMORANDUM OF AGREEMENT WITH MALAYSIAN PALM OIL BOARD ("MPOB") IN RESPECT OF THE PRODUCTION OF STRANDBOARD FROM EMPTY FRUIT BUNCH ("EFB") FIBRE, AN ADDITION TO THE GROUP'S RECYCLED PRODUCT RANGE

The Board of Directors ("**Board**" or "**Directors**") of Reclaims Global Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Reimagine ME Sdn. Bhd. ("**RIM**"), has entered into a Memorandum of Agreement ("**MOA**") dated 28 February 2020 with MPOB (and together with RIM, the "**Parties**") to plan and execute the production of strandboard from EFB fibre for woodworking and furniture application (the "**Project**").

1. BACKGROUND

MPOB and RIM has been collaborating on the development of a new technology process to produce bio-composite product, strandboard, from oil palm biomass, EFB fibre as a replacement for traditional plywood (the "**Invention**"). Strandboard is an eco-friendly product as it is formed using short strand EFB fiber. The strandboard was produced with relatively low density equivalent to traditional plywood. The Invention has good machining characteristics compared to wood-based particleboard and plywood performing perfectly in boring, sawing and edge profiling shown in the lab test. The Invention was a collaborative research and optimization effort between MPOB and RIM.

The Parties have subsequently agreed to enter into the MOA to collaborate for the purposes of developing, optimizing, producing and commercializing the end product, i.e. strandboard, derived from the Technology (as defined below) (the "**Finished Product**") using the MPOB's technical expertise and know-how and technology on processing of palm biomass, EFB fibre, for making strandboard ("**Technology**"). This will be carried out in two (2) phases:

(i) Phase 1: Pilot plant study and pre-factory stage for a period of one (1) year from the date of signing of the MOA; and

(ii) Phase 2: Commercialization stage for a period of five (5) years from the date of completion of Phase 1,

(collectively, the "**Project**").

The Company had named the Finished Product as "Oply".

2. INFORMATION ON MPOB

MPOB is a government agency established on 1 May 2000 under the Malaysian Palm Oil Board Act (Act 582) and entrusted to serve the Malaysian oil palm industry. Its main role is to promote and develop national objectives, policies and priorities for the wellbeing of the Malaysian oil palm industry.[1] MPOB is one of the government agencies that is governed by the Ministry of Primary Industries (equivalent to Singapore's Ministry of National Development).

The Group, the Directors, substantial shareholders and controlling shareholders of the Company, and their respective associates, are not related to MPOB.

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[1] http://mpob.gov.my/corporate-info/about-us

3. RATIONALE

As set out in the Company's offer document dated 1 March 2019, the Group has been exploring recycling processes that would convert organic waste into recycled hard board as the Company believes that such recycled hard board may be an attractive sustainable replacement for plywood, to be used in furniture manufacturing, interior decoration and building construction in both residential and commercial sectors.

In line with the Group's business strategy and plans, with the signing of the MOA, the Group intends to expand its recycled product range to include strandboards produced from the EFB fibre. The MOA gives the Group the opportunity to collaborate with one of the inventors from MPOB to, amongst others:

(i) develop, optimize and produce strandboard that has equivalent or better mechanical and engineering properties compared to traditional plywood; and

(ii) commercialize the strandboard to potentially replace traditional plywood as the ideal material to be used in the global woodworking and furniture industry.

The Board also believes that following the successful commercialization of the Finished Product will provide a new revenue source for the Group. Based on the preliminary test marketing with the Top 5 furniture builders in Muar, Malaysia, the Company had also noted that they have responded positively to this product. Based on the latest available information from Malaysia Timber Industry Board's website, plywood was the second largest export item amongst Malaysia's major timber products, contributing 15.1% to the overall timber exports of RM22.5 billion in 2019.[2] The global demand for plywood was estimated at about US$73.9 billion in 2018 based on the total revenues of producers and importers (excluding logistics costs, retail marketing costs, and retailers' margins, which will be included in the final consumer price).[3] As such, the Company believes that the scope and potential for growth of the Finished Product is tremendous.

The objective of the Company is to develop a Finished Product to directly replace traditional plywood, thereby reducing the reliance on wood-based conventional plywood, wood-based engineered board and wood-based composite board. A lot of woodworking and furniture companies around the world are looking for suitable recycled materials and renewable materials.

As the Intergovernmental Panel on Climate Change (IPCC), United Nations (UN) and the Paris Agreement (UNFCCC) are encouraging countries around the world to embrace using renewable materials and recycled materials in the effort to dial back global warming and climate change, many furniture companies in the world are embracing going 'green', therefore, the Company believes that this is a 'push' factor for more companies to find and use more recyclables and renewables materials in the manufacture of their finished products. The Company also believes that the Finished Product could potentially contribute significantly to reducing deforestation.

4. SALIENT TERMS OF THE MOA

The MOA involves the product development, product optimization, production and commercialization of the Finished Product. The Project will be undertaken in two (2) phases. The following sets out the salient terms of the MOA:

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[2] http://www.mtib.gov.my/industry/services2/sources/statistic
[3] https://www.globaltrademag.com/global-plywood-market-2019-the-industry-desperately-needs-new-growth-drivers/

4.1 Conditions precedent

(a) The continuity of the Project from Phase 1 to Phase 2 is conditional upon the satisfactory/commercial ability outcome of Phase 1, which is to be mutually agreed by both Parties.

(b) Phase 2 shall only commence upon the receipt of Technology Fees (as defined below) by MPOB.

The MOA shall be terminated if the abovementioned condition precedents have not been fulfilled or waived by mutual agreement.

4.2 Contract period

The MOA will continue for a period of five (5) years from the date of the MOA and may be extended to another period of five (5) years by mutual consent of the Parties, or until any later date agreed in writing between the Parties, or otherwise until the MOA is terminated in accordance to the clauses of the MOA.

4.3 Intellectual property rights

The Parties agree that the ownership of all intellectual property(s), results or inventions generated or arising from the Project and the patent(s) of the Finished Product under the MOA ("**IP Rights**") shall be owned 60% by MPOB and 40% by RIM.

MPOB agrees that it shall take the lead in attending to all the application and requirements required in respect of the application for registration of any of the joint IP Rights provided always that all costs of filing, prosecution and maintenance or any matters relating to the protection of joint IP Rights shall be shared equally by the Parties.

In the event that any Party refuses or do not wish to file or fails to pay for the costs of filing, prosecution and maintenance or any matters relating to the protection of joint IP Rights in any country, such Party shall be deemed to relinquish all its rights and interests in such IP Rights in that country shall be deemed to be transferred and vested in the other Party who pays for such costs.

The Parties shall not, without prior written consent of the other Party, use the joint IP Rights to grant to a third party, a license to use the same.

The Parties shall jointly agree whether or not to grant an exclusive or non-exclusive license to a third party of the use of the joint IP Rights for commercial purposes. The terms and conditions of such a right, including the amount of royalty and the like shall be separately agreed upon by the Parties. Any and all royalties to be received from the license granted to a third party shall be distributed between the Parties in the proportion to their respective shares in the joint IP Rights.

4.4 Consultancy

RIM will appoint MPOB as its consultant in the field of providing technical advice and such other additional related matters as within the MPOB's competency to act and to advise RIM, to the best of its ability, in all problems, questions and investigations in relation to the Project which RIM may refer to it for its opinion and recommendations during the duration of the MOA.

RIM shall pay to MPOB (i) an upfront payment for consultancy fees of RM50,000 within thirty (30) days of the signing of the MOA, and (ii) consultancy fees at a rate as stipulated in the MOA. The rate may be revised subject to mutual agreement by both Parties, or as revised by MPOB.

4.5 Transfer of technology fees

The transfer of technology fees of RM100,000 ("**Technology Fees**") will be paid by RIM to MPOB following the registration of the IP Rights or upon the successful production of commercial-sized Finished Product at the pilot plant at MPOB's premise.

4.6 Royalty

RIM agrees to pay MPOB royalty fees of 3% of the net sales value of the Finished Product on a bi-annual basis for a period of five (5) years starting from the first full year of commercial production of the Finished Product at the commercial plant at RIM's premise.

4.7 Obligations of the Parties

Phase 1 - Pilot plant study and pre-factory stage

(a) MPOB's responsibility at Phase 1 includes, *inter alia*, the following:

(i) To provide site at MPOB UKM Research Station for pre-factory hot press machine installation;

(ii) To provide manpower to carry out the Project;

(iii) To provide technical expertise and know-how for carrying out the Project;

(iv) To design specific process for the production of strandboard; and

(v) To provide consultancy service to RIM on:

- the strandboard technology (formulation and process parameters) for the Project;
- pilot scale facilities for the pre commercialization study of the Project; and
- IP Rights filing.

(b) RIM's responsibility at Phase 1 includes, *inter alia*, the following:

(i) To fund all costs involved in the establishment of the pre-factory machineries for producing large sample for marketing purposes;

(ii) To jointly carry out together with MPOB the research and development aspects of the Project;

(iii) To provide the necessary raw materials and equipment for the pre-commercial trial for the purpose of carrying out the Project; and

(iv) To give MPOB the first right of refusal for any publicity of the Project, provided that the Director General of MPOB may issue such guidance relating to the types of publicity that requires or does not require the first right of refusal to be exercised by MPOB.

Phase 2 – Commercialization stage

Phase 2 of the Project is where MPOB extends the exclusive licensing to RIM to implement the commercial production of the Finished Product at the commercial plant at RIM's premise.

(a) MPOB's responsibility at Phase 2 includes, *inter alia*, the following:

(i) To grant right to RIM to use the Technology, including any future shared patent derived under the collaboration of the MOA, for commercialization purposes; and

(ii) To provide the following consultancy services to RIM:

- To provide formula and process parameter for scaling up the technology for commercialization of the product;
- To assist and provide technical support to RIM; and
- To analyse, test and provide product specification for the strandboad.

(b) RIM's responsibility at Phase 2 includes, *inter alia*, the following:

(i) To provide complete production line for production of the Finished Product; and

(ii) To commercialise the Technology.

4.8 Termination

Both Parties have the rights to terminate the MOA in accordance to the clauses of the MOA, after giving the other Party a remedy period of thirty (30) days after the date of notice specifying the default and the other Party fails to remedy the default within the remedy period.

In addition, notwithstanding any provision in the MOA, MPOB may terminate the MOA by giving not less than thirty (30) days notice to that effect to RIM (without any obligation to give any reason thereof) if it considers that such termination is necessary for national interest, in the interest of national security or for the purposes of Government policy or public policy ("**Termination on National Interest Clause**"). For the purpose of certain clause, what constitutes "national interest", "interest of national security", "Government policy" and "public policy" shall be solely made and determined by the Government of Malaysia and such determination for all intent and purposes shall be final and conclusive and shall not be open to any challenge whatsoever.

Furthermore, notwithstanding any provision in the MOA and without prejudice to any other rights of MPOB, if RIM, its personnel, servant or employee is convicted by a court of law for corruption or unlawful of illegal activities in relation to the MOA or any other agreement that RIM may have with MPOB, MPOB shall be entitled to terminate the MOA at any time, by giving immediate written notice to that effect to RIM. Upon such termination, MPOB shall be entitled to all losses, costs, damages and expenses (including any incidental costs and expenses) incurred by MPOB arising from such termination.

The termination of the MOA shall not relieve RIM from its obligation to pay amounts due and owing to MPOB nor affect either Party's rights to receive and recover damages accruing as a result of the breach. Where the MOA is terminated in accordance to the clauses of the MOA, RIM shall not thereafter be concerned with the Technology/Finished Products whether by way of manufacture, sale or otherwise and RIM shall return to MPOB all the data or documents provided by MPOB to RIM prior to such termination.

4.9 Suspension

MPOB reserves the right for reasons of national security, national interest, public order or public health to suspend temporarily, either in whole or in part, the implementation of the MOA which suspension shall take effect immediately after notification in writing has been given to RIM.

If such suspension continues for a period of more than six (6) months, then either Party may terminate the MOA by giving the other notice of its intent to terminate and the provisions of termination clause as set out in paragraph 4.8 above shall apply.

4.10 Governing law

The MOA shall be governed and construed according to the laws of Malaysia and the Parties submit to the non-exclusive jurisdiction of the courts of Malaysia.

4.11 Risks relating to Termination on National Interest Clause

The Board noted that Termination on National Interest Clause is usually contained in an agreement with any governmental authorities and/or governmental bodies. The Board wishes to highlight that there is no assurance that the Malaysian Government will not invoke such clause. However, the Board acknowledges that this recycling initiative converting palm biomass waste into a direct replacement for plywood certainly puts Malaysia in a more positive light at the UN as promoting a 'green' initiative. The Board also acknowledges that the EFB fibre is essentially a waste from the palm oil industry with little competing use from the commercial perspective and no negative connotation with regards to national interest. In the event the Malaysian Government invokes such clause, the Group will lose all its investment in the Project to the relevant point of time. In addition, RIM will lose its access to the Technology/Finished Products whether by way of manufacture, sale or otherwise, which essentially is the exclusive licensing.

The Board has considered the risks relating to such clause and is of the view that MPOB being a government agency under the Ministry of Primary Industries, as such, incorporating a termination clause on national interest is rather normal. However, given the nature and context of the collaboration and relationship between MPOB and RIM for the good of recycling palm biomass waste into a productive, economic 'green' and eco-friendly direct replacement for traditional plywood, the risk of termination under national interest does appear to be somewhat minimal.

5. PRE-COMMERCIALIZATION PROJECT COSTS AND SOURCE OF FUNDING

5.1 Project costs for Phase 1

Total estimated costs to be incurred for Phase 1 of the Project is approximately RM2.82 million (or equivalent to approximately S$0.94 million) ("**Phase 1 Costs**"). Phase 1 Costs would consist the following:

(i) Pilot pre-factory setup costs (including building a simple structure of pre-factory to host the machineries and materials, costs of machineries and equipment, costs of purchase of materials for pre-commercial trial to produce commercial size Finished Product, branding fees, manpower and consultancy costs, travelling costs and other miscellaneous expenses) of approximately RM2.67 million (or equivalent to approximately S$0.89 million);

(ii) One-off consultancy fee of RM50,000 (or equivalent to approximately S$17,000); and

(iii) One-off Technology Fees of RM100,000 (or equivalent to approximately S$33,000).

The Phase 1 Costs of S$0.94 million is expected to be funded by proceeds from the Company's initial public offering of S$0.50 million which was set aside for expansion of recycled product range and the remaining S$0.44 million will be funded by internal resources.

5.2 Project costs for pre-production stage of Phase 2

For Phase 2, the Company is planning to setup a lightweight factory with an estimated built-up area of around 4,000 square metres, at Segamat, which is near to Muar, Johor, Malaysia, within six (6) months from the completion of Phase 1. Muar is internationally well known as the hub of the furniture industry of Malaysia. RIM will be required to apply for several permits and licenses to manufacture and to export the Finished Products.

In addition, the Company will purchase a full set of machineries, which can produce a maximum of approximately 419,850 pcs for 12mm boards and 314,850 pcs for 16mm boards per year. The machineries are expected to be delivered after the completion of the factory setup and onsite fabrication and installation including commissioning of machineries are expected to take around three (3) months after the delivery.

Total estimated costs to be incurred for Phase 2 of the Project before commercialization is approximately RM9.15 million (or equivalent to approximately S$3.05 million) ("**Phase 2 Costs**"). Phase 2 Costs would consist the following:

(i) Costs of machineries for factory setup of RM6.52 million (or equivalent to approximately S$2.17 million);

(ii) Factory setup costs of RM1.40 million (or equivalent to approximately S$0.47 million);

(iii) Purchase of equipment (including forklifts and trucks) of RM0.35 million (or equivalent to approximately S$0.12 million); and

(iv) Other pre-production costs (including costs of trial runs before actual production, land rental, manpower and consultancy costs, travelling costs and other miscellaneous expenses) of approximately RM0.88 million (or equivalent to approximately S$0.29 million).

The Phase 2 Costs of S$3.05 million is expected to be funded in the following manners:

(i) To finance the purchase of machineries of S$2.17 million with a 3-year hire purchase arrangement;

(ii) To obtain bank loan financing for the factory cost amounting to S$0.47 million with a 5-year term; and

(iii) The remaining capital expenditure and operating expenses amounting to S$0.41 million will be funded by internal resources.

6. <u>FINANCIAL EFFECTS</u>

6.1 The financial effects of the MOA on the Group as set out below are purely for illustrative purposes only. The illustrative financial effects should not be taken as an indication of the Group's actual future results, performance or achievements following the completion of the Project.

The financial effects of the MOA as set out below are based on the Group's latest audited financial statements for the year ended 31 January 2019 ("**FY2019**") and the following assumptions:

(a) all financial effects shall be based on the pre-commercialization stage of the Project, including Phase 1 and pre-production stage of Phase 2 and have not taken into account the future revenue and profits to be generated from the Project;

(b) the MOA had been effected at the end of FY2019 for the computation of the effect on the net tangible assets ("**NTA**") per share;

(c) the MOA had been effected at the beginning of FY2019 for the computation of the effect on the earnings per share ("**EPS**");

(d) all Phase 1 costs of S$0.94 million will be expensed off;

(e) S$2.76 million of Phase 2 costs will be capitalized and the remaining S$0.29 million will be expensed off;

(f) both Phase 1 and pre-production stage of Phase 2 are funded in the manners as set out in paragraphs 5.1 and 5.2 above but for simplicity, interest expenses arising from the hire purchase and bank loans are not included;

(g) listing expenses pertaining to the initial public offering of the Company amounting to S$2.64 million is added back for the computation of EPS effects; and

(h) the exchange rate is based on RM 3.00 to S$ 1.00.

In addition, the financial effects are presented for 2 different scenarios:

(1) Scenario 1: Only Phase 1 is completed in FY2019.

(2) Scenario 2: Both Phase 1 and pre-production stage of Phase 2 are completed in FY2019.

6.2 Effects on NTA per share

	Before the Project	**Scenario 1: After completion of Phase 1 only**	**Scenario 2: After completion of Phase 1 and pre-production stage of Phase 2**
NTA attributable to equity holders of the Company (S$'000)	16,719	15,779	15,485
Number of issued ordinary shares (excluding treasury shares)[(1)] ('000)	131,000	131,000	131,000
NTA per share (Singapore cents)	12.76	12.05	11.82

Note:

(1) For illustrative purposes, the NAV per share as at 31 January 2019 was computed based on post-invitation number of shares of 131,000,000.

6.3 Effects on EPS

	Before the Project	**Scenario 1: After completion of Phase 1 only**	**Scenario 2: After completion of Phase 1 and pre-production stage of Phase 2**
Profit attributable to equity holders of the Company (S$'000)	2,914	1,974	1,680
Weighted average number of issued ordinary shares (excluding treasury shares)[(1)] ('000)	112,000	112,000	112,000
EPS (Singapore cents)	2.60	1.76	1.50

Note:
(1) For illustrative purposes, the weighted average number of ordinary shares used for the calculation of EPS is based on pre-invitation number of shares of 112,000,000.

7. RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE CATALIST RULES

The relative figure for the total investment in the Project computed on the basis set out in Rule 1006(c) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**") is as follows:

Rule 1006(c) - The aggregate value of the consideration given or received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares.	9.4%

Notes:

(1) Rule 1006(a) of the Catalist Rules is not applicable as the MOA does not involve a disposal of assets.

(2) Rule 1006(b) of the Catalist Rules is not applicable as the MOA is pertaining to a project which is only effected on the signing date of the MOA and as such, there is no prior financial results.

(3) For the purpose of Rule 1006(c) of the Catalist Rules, the total consideration for the MOA will be the aggregate of the Phase 1 Costs and Phase 2 Costs of S$3.99 million and the market capitalization of the Company is approximately S$42,299,900 as determined by multiplying 131,000,000 shares in issue by the volume-weighted average price of the shares of S$0.3229 on 21 January 2020 (being the last market day when the shares of the Company were traded on preceding the date of the MOA).

(4) Rule 1006(d) of the Catalist Rules is not applicable as the Company will not be issuing equity securities as consideration for the MOA.

(5) Rule 1006(e) of the Catalist Rules is not applicable as the Project does not relate to the disposal of mineral, oil or gas assets and the Company is not a mineral, oil and gas company.

As the relative figure set out in Rule 1006(c) of the Catalist Rules exceeds 5%, but does not exceed 75%, the MOA shall constitute as a "disclosable transaction" in accordance to Rule 1010 of the Catalist Rules.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Dr. Andrew Dekguang Jhou Chew, Executive Director and CEO of the Company, will be part of the project team which is involved in the operations of RIM for purposes of the MOA. Save for which, none of the Directors or controlling shareholders of the Company (and their respective associates) has any interest, direct or indirect, in the MOA and the Project, other than through their respective shareholdings in the Company (if any).

9. DIRECTORS' SERVICE CONTRACTS

No new directors are proposed to be appointed to the Board in connection with the MOA. As such, no service agreements will be entered into with any new director of the Company in connection with the transactions.

10. FURTHER ANNOUNCEMENT(S)

The Company will make further announcement(s) as and when there are material developments in respect of the MOA, the Project or any relevant matters set out in this announcement.

11. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Project will be completed. Accordingly, Shareholders and potential investors of the Company should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

12. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the MOA is available for inspection during normal business hours at the registered office of the Company at 10 Tuas South Street 7, Singapore 637114, for a period of three (3) months from the date of this announcement.

By Order of the Board

Andrew Dekguang Jhou Chew
Executive Director and CEO
3 March 2020

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Lee Khai Yinn (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.