

(Company Number: 201301242M)
(Incorporated in the Republic of Singapore)

INTERESTED PERSON TRANSACTION – MOROXITE T AB - RESPONSE TO SGX QUERIES

Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the announcements released by the Company on 30 December 2022 (“30 Dec 2022 Announcement”) in relation to the entry into a share purchase agreement (the “Agreement”) to purchase the entire issued share capital of Moroxite T AB, and on 28 July 2023 (“28 Jul 2023 Announcement”) in relation to the subsequent addendum (the “Addendum”) to the Agreement.

Rex International Holding Limited (the “**Company**” or “**Rex**” and together with its subsidiaries, the “**Group**”) has received the following queries from the Singapore Exchange Securities Trading Limited (the “**SGX Queries**”) in relation to the 30 Dec 2022 Announcement and the 28 Jul 2023 Announcement on MHPL’s investment in Moroxite T. The board of directors (the “**Board**”) of the Company has provided the following responses to the SGX Queries.

SGX Query 1

It is stated in the 28 Jul 2023 Announcement that “Pursuant to the terms of the Agreement, in the event shareholders’ approval to the Agreement is not obtained by the long stop date of 31 July 2023 (extended from 30 May 2023, as announced on 11 May 2023), the Company would be required to transfer the 100% interest in Moroxite T back to MA for SEK 1.00, and forfeit the initial non-refundable capital contribution of SEK 9,400,000 (approximately US\$0.9 million).”

- (a) Please disclose the date of the transfer of the (i) 100% interest in Moroxite T from MA to MHPL; and (ii) non-refundable capital contribution of SEK 9,400,000.
- (b) Please explain why the Acquisition was completed prior to obtaining Shareholders’ approval.

Response

- (a) The transfer of the shares in Moroxite T from MA to MHPL and the injection of the non-refundable Capital Contribution (of SEK 9,400,000) was made on 31 January 2023.
- (b) As the Acquisition was conditional upon Shareholders’ approval based on the initial terms set out in the Agreement, the Acquisition would not be considered completed until all conditions had been fulfilled by the relevant parties.

The terms of the Agreement provided that in the event that Shareholders’ approval is not obtained by 31 July 2023 (the extension from the initial 30 May 2023 deadline as announced by the Company on 11 May 2023), all transactions between MHPL and Moroxite T will be automatically terminated. Consequently, MHPL shall transfer, and MA shall accept re-payment

of a nominal consideration of SEK 1 from MHPL, whereas the Capital Contribution (which is akin to a non-refundable deposit) shall be retained by Moroxite T.

The non-refundable Capital Contribution was a term negotiated between the parties in the Agreement, as MA would not be able to raise financing from other sources before Shareholders' approval was obtained. The shares in Moroxite T were transferred from MA to MHPL as a form of security since the Capital Contribution was to be first paid. The agreement to inject the Capital Contribution of SEK 9,400,000 into Moroxite T was made pursuant to considerations such as allowing Moroxite T to continue its operations, such as the hiring of key employees and funding its research and development, as well as to not impede the progress of the registration and grant of patents, and marketing efforts of potential products in order to preserve the value of Moroxite T which would be beneficial to the Company in the event the Acquisition is completed.

SGX Query 2

It is stated in the 28 Jul 2023 Announcement that "Following from this, the consideration to purchase 70% of issued share capital of Moroxite T, comprising 700 shares, is at a nominal consideration of SEK 0.70 (approximately US\$0.07) (the "**Purchase Price**"), with a commitment to invest up to an additional SEK 43.2 million (approximately US\$4.12 million), subject to the fulfilment of certain conditions (the "**Revised Acquisition**")."

It is stated in the 30 Dec 2022 Announcement that "The initial consideration of SEK 1 (approximately US\$0.10) and subsequent capital commitment of up to SEK 43.2 million (approximately US\$4.12 million) (collectively, the "**Consideration**"), to be fully satisfied in cash, was determined based on a willing buyer willing seller basis after negotiations between MA and MHPL and taking into consideration the rationale for the Acquisition and the potential of Moroxite T, as set out in section 3 of this announcement."

- (a) Please disclose how the total consideration amount of SEK 43.2 million was derived, including the relevant figures used in its valuation of Moroxite T, where applicable.
- (b) Please disclose whether the "conditions" remain the same as the conditions listed in the 30 Dec 2022 Announcement. Please elaborate on the conditions to be fulfilled.
- (c) Please disclose (i) the latest value (book value, net tangible asset value and the latest available open market value) of Moroxite T; and (ii) the net profits/loss attributable to Moroxite T.
- (d) If the total consideration to be paid for the Revised Acquisition is significantly higher or lower than Moroxite T's value, please explain why.

Response

- (a) The Consideration, comprising the nominal consideration of SEK 1, Capital Contribution of SEK 9,400,000, Additional Purchase Price of SEK 15,000,000 and Additional Financing of up to SEK 18,800,000, was determined based on a willing buyer willing seller basis after negotiations between MA and MHPL and taking into consideration the rationale for the Acquisition and the potential of Moroxite T, as disclosed in the 30 Dec 2022 Announcement. Save for the nominal

consideration of SEK 1 and the Capital Contribution, the Additional Purchase Price and Additional Financing would only be payable upon achievement of milestones (which were incorporated for the purpose of risk mitigation).

It is to be noted that only the nominal consideration of SEK 1 and the Additional Purchase Price are to be paid to MA, while the Capital Contribution and Additional Financing are to be contributed to Moroxite T.

- (b) Save for the key amendments made to the Agreement as supplemented by the Addendum as set out in the 28 Jul 2023 Announcement, the conditions remain the same as the conditions listed in the 30 Dec 2022 Announcement. The conditions, as disclosed in the 30 Dec 2022 Announcement and as supplemented by the 28 Jul 2023 Announcement are as follows:
- the payment of the Additional Purchase Price following the fulfilment of certain conditions pertaining to getting at least one patent granted by either European or US patent authorities;
 - the provision of Additional Financing being subject to the completion of additional milestones pertaining to, among others, successful scientific studies, clinical trials as well as marketing and production plans; and
 - the Agreement, as amended by the Addendum, is further subject to the condition that in the event that, *inter alia*, additional regulatory / statutory requirements be imposed on the Company, the transaction contemplated by the Addendum shall be automatically terminated. In such instance, the transfer of all the shares of Moroxite T held by the Company would not constitute a disposal as such transfer is due to the termination of the Agreement on the basis of the non-satisfaction of a condition of the Agreement.
- (c) (i) The net tangible asset and book value/net asset value of Moroxite T are approximately US\$(1,888.72) and US\$55,225.23 respectively as at 31 December 2022. Moroxite T does not have any open market value; (ii) For the 16 months ended 31 December 2022, Moroxite T, a start-up company in its early development phase in the midst of developing / research on the long-term project of a new pharma med-tech product, recorded a net loss of SEK 49,476 (approximately US\$4,723).
- (d) The total consideration consisting of (a) the nominal consideration of SEK 0.70 (approximately US\$0.07) and a commitment to invest up to an additional SEK 43.2 million (approximately US\$4.12 million) is lower than the valuation range of Moroxite T of US\$10.8 million to US\$15.8 million as determined by the valuer (details of the valuation are set out in response to Query 3 below). The total consideration for the Revised Acquisition has taken into consideration the re-negotiation of the terms of the transaction whereby MA has made commercial concessions such as the removal of profit-sharing and royalty payment arrangements which would allow the Company to recognise the non-refundable capital contribution. Accordingly, the Company is of the view that the total consideration for the Revised Acquisition is a fair reciprocal concession, in light of the concessions made by MA to facilitate the progress of the transaction, subject to the fulfilment of certain conditions as set out in the Agreement.

SGX Query 3

Please clarify if the Company has carried out an independent valuation of Moroxite T. If yes, please disclose:

- (i) the value placed on Moroxite T, the party who commissioned the valuation, the basis of valuation (including methodology), key assumptions and date of such valuation;
- (ii) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies and assumptions used in the independent valuation.

Response

The Company had commissioned Value Solutions Group to conduct an independent valuation of Moroxite T for the purpose of inclusion in the draft Circular to convene an extraordinary general meeting to seek shareholders' specific approval for the Acquisition in respect of Chapter 9 of the Mainboard Rules, based on the initial terms of the Acquisition as stated in the 30 Dec 2022 Announcement, given that the aggregate amounts relating to the Acquisition (including any royalties and profits on license sales) could not be estimated by the Company.

- (i) **Value placed on Moroxite T from Income Approach - Discounted Cash Flow valuation:** US\$10.8 million to US\$15.8 million

Party who commissioned the valuation: Rex International Holding Limited

Methodology adopted: The valuer had considered three methods - namely Income Approach, Market Approach and Venture Capital Approach - and had determined that the Income Approach - Discounted Cash Flow (DCF) Analysis as the most appropriate. The rationale for adopting Income Approach is in the present value rule, i.e. the value of any asset or enterprise value is the present value of expected future cash flows, discounted at a rate appropriate to the risk of the cash flows not being realised. Given that Moroxite T has a clear focus on drug development using approved ingredients and its management has experience in developing such drugs, the expected expenses and revenues can be assumed and accordingly, the use of Income Approach – DCF as the primary approach is considered to be appropriate by the valuer.

Key assumptions:

- The valuation has taken into consideration the US\$2.8 million, which the Group has committed to pay into Moroxite T if certain milestones are fulfilled.
- **Financial projections:** 9-year financial projections from FY2023 to FY2031.
- **Capital expenditure:** Minimal amount of capital expenditure is projected to be incurred during the projected period of the higher of US\$100k or about 1.0% of the revenue per annum.
- **Net working capital changes:** Trade and other receivables turnover days: 30 days; Stock: 60 days turnover; Trade and other payables turnover days: 30 days
- **Terminal value:** Normalised Free Cash Flow extended until 2040
- **Discount rate:** Weighted Average Cost of Capital ("WACC") ranging from 19.8% to 23.8% was adopted.
- **Debt & non-operating payable and excess cash & cash equivalents:** As at 31 December 2022, Moroxite T has no debt & non-operating payables and excess cash & cash equivalents of approximately US\$ 2,500.
- **Market Value of 100% equity interest in the capital of Moroxite T:** As at 31 December 2022, Moroxite T has no debt & non-operating payables and excess cash & cash equivalents of approximately US\$2,500. Therefore, the enterprise and equity values are identical.

Date of valuation: as at 31 December 2022

- (ii) Having reviewed the independent valuation report prepared by Value Solutions Group and understanding the methodologies adopted, as well as the assumptions contained within which the Board understands is in line with valuations conducted on companies in similar industries, the Board confirms that it is satisfied with the reasonableness of the methodologies and assumptions used in the independent valuation.

SGX Query 4

Please disclose the due diligence conducted by the Company in respect of the Acquisition of Moroxite T.

Response

In light of (a) the short operating history of Moroxite T (which did not have any employees as at the date of the Agreement); (b) the payment structure of the Acquisition (which is in large to be paid to Moroxite T, based on contractual milestones being achieved and hence results in a low initial capital outlay); (c) present and potential intellectual property; (d) the Company's Non-Executive Director, Dr Mathias Lidgren, being familiar with the corporate affairs of Moroxite T and the technical aspects of the medical technology in which Moroxite T is involved; (e) the limited balance sheet and income statement items of Moroxite T; and (f) relevant warranties pertaining to the legal and financial affairs of Moroxite T being provided by MA, the Directors (including the Independent Directors at the given time) decided to proceed with the transaction after due enquiry and discussion with, and taking into account the business case provided by the management team of Moroxite T.

SGX Query 5

It is stated in the 28 Jul 2023 Announcement that "Having considered the terms and conditions of, as well as the rationale for the Revised Acquisition, the Audit Committee of the Company is of the view that the Revised Acquisition is made on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders."

Please provide the Audit Committee's basis of assessment for its view that the Revised Acquisition (including the non-refundable capital contribution) is made on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Response

In arriving at its view, the Audit Committee has taken into consideration (a) rationale of the Acquisition, (b) the payment structure for the Acquisition, where significant amount of capital is only paid out to Moroxite T upon the achievement of contractual milestones; (c) the business focus of Moroxite T in medical technology in relation to cancer therapy, which is both a humanitarian venture with potential to improve society for cancer patients as well as commercially potentially lucrative if technology breakthroughs are successfully developed, and (d) the removal of the royalty and profit-split payable to MA which is deemed highly accretive to Moroxite T and hence the Company.

BY ORDER OF THE BOARD OF
Rex International Holding Limited

Dan Broström
Executive Director and Chairman

4 August 2023