

**REX INTERNATIONAL HOLDING LIMITED**

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

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**REX TO INVEST FURTHER INTO XER TECHNOLOGIES  
INTERESTED PERSON TRANSACTION – MOROXITE T AB  
- RESPONSE TO SGX QUERIES**

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*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 in relation to the investment into Xer Technologies Pte. Ltd. and the entry into a share purchase agreement to purchase the entire issued share capital of Moroxite T AB (the “**Announcements**”).*

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 RTI’s investment in Xer (the “**Xer Technologies Acquisition Announcement**”) and MHPL’s investment in Moroxite T (the “**Moroxite T Acquisition Announcement**”). The board of directors (the “**Board**”) of the Company has provided the following responses to the SGX Queries.

**SGX Query 1**

In paragraph 1 of the Xer Technologies Acquisition Announcement, it was stated that the “Company’s wholly-owned subsidiary Rex Technology Investments Pte Ltd (“**RTI**”) has entered into a conditional subscription agreement on 30 December 2022 (“**Subscription Agreement**”) with Xer Technologies Pte. Ltd. (“**Xer**”) to subscribe for 23,809 new shares in Xer, at a consideration of US\$1 million (the “**Xer Subscription Shares**”) (the “**Acquisition**”).”

- a) Please clarify whether Xer is currently loss-making. If so, please quantify its losses and explain why it is in the interest of the Company to acquire additional shares in Xer when Xer is still loss-making.
- b) Please explain why the Company is paying a higher price for the proposed acquisition of 13% equity stake in Xer, as compared to the July 2021 acquisition of the initial 40% interest in Xer at US\$1 million, if Xer is still loss-making.

**Response**

- a) Currently, Xer is loss-making and it is not uncommon for companies developing new technologies/solutions to be in a loss-making position at its initial stage. Xer made a loss of approximately US\$189,000 for the six (6) months ended 30 June 2022. The intention of the Company to acquire additional shares in Xer is to become a majority shareholder of Xer. The Company believes the additional investment will be accretive to the Group by diversifying its business, given the positive prospects of Xer. Xer has just sold its first drone through a tender to

the Swedish government and Xer is expecting to sell more drones in early Q1 2023 with ambitious sales targets for the full year ending 31 December 2023.

- b) As disclosed in the Xer Technologies Acquisition Announcement, Xer had achieved most of the conditions precedent pursuant to the subscription agreements in relation to the Previous Acquisition, and has completed certain milestones and consequently increased its value.

## **SGX Query 2**

It is also stated in paragraph 1 of the Xer Technologies Acquisition Announcement that “As a condition to completion of the Acquisition (“**Completion**”), RTI is to enter into a revised shareholders’ agreement with Xer’s other shareholders (“**Shareholder’s Agreement**”), pursuant to which, RTI shall commit to inject a capital amount of up to US\$3 million (notwithstanding the Acquisition), subject to the achievement of certain technical and sales milestones by Xer.”

- a) Please disclose what are these milestones, and provide a status update on the extent to which Xer has met these milestones to-date.
- b) Please disclose how the issue price and/or the number of new shares in Xer will be determined for the provision of the capital commitment by RTI.

## **Response**

- a) The following milestones, to be fulfilled in the future (in no particular order), are as follows:

| Milestone                       | Description                                                                                                                                                                                      |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A: X8 sales</b>              | <ul style="list-style-type: none"> <li>Sales of 6 Xer UAVs. X8 should be available for order and shipped with acceptable delivery time.</li> </ul>                                               |
| <b>B: Organisation</b>          | <ul style="list-style-type: none"> <li>Organisational infrastructure in place including sales and marketing personnel to deal with every aspect of the planned growth of Xer in 2023.</li> </ul> |
| <b>C: Production</b>            | <ul style="list-style-type: none"> <li>Assembly line in place capable of producing at least 20 drones in 2023.</li> </ul>                                                                        |
| <b>D: Growth and sales plan</b> | <ul style="list-style-type: none"> <li>Develop and present a comprehensive strategic growth and sales plan covering 2023-2024, including the next UAV generation.</li> </ul>                     |

- b) Upon fulfilment of any of the milestones stated above, the Company will receive the full amount of shares and pay the subscription price for such shares. The issue price and number of shares are fixed, as disclosed in the Announcement, being US\$1 million for 23,809 new shares in Xer. The fulfilment of the remaining milestones will trigger further capital contributions without issuance of additional shares.

**SGX Query 3**

In paragraph 4 of the Xer Technologies Acquisition Announcement, it is stated that “Having considered the terms and conditions of, as well as the rationale for the Acquisition, the Audit Committee of the Company is of the view that the 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 Acquisition (including the capital commitment) is made on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

**Response**

The Audit Committee has considered, among others, the market outlook for developing tech-companies and the increase in Xer’s value after successfully passing the investment milestones. The Company is taking a strategic decision to invest in other areas not correlated to the oil and gas industry, in order to provide diversification and a long-term risk reduction for the Company’s shareholders, without changing the Company’s overall risk profile. Such investments should enable the Company to take substantial control and/or significantly influence the investee company. The full amount of shares subscribed to in Xer is received by the Company immediately upon completion of any milestone. This greatly reduces the Company’s risk and is deemed beneficial for the Company.

**SGX Query 4**

With regard to the Company’s Moroxite T Acquisition Announcement, please clarify whether Moroxite T is currently loss-making. If so, please quantify its losses for the latest financial period.

**Response**

Moroxite T does half-yearly financial reporting. For the six (6) months ended 30 June 2022, its financial result was nil, as prior costs were borne by MA.

**SGX Query 5**

It is disclosed in the Moroxite T Acquisition Announcement that, “in the event that the Acquisition is not approved at a Rex extraordinary general meeting by 30 May 2023, the share purchase agreement shall be automatically terminated. However, the Capital Contribution shall be kept by Moroxite T and, thus, indirectly be transferred to MA.” Please provide the Company’s rationale for the above condition on the retaining of Capital Contribution by Moroxite T upon termination.

**Response**

The initial capital contribution is to be considered as a “non-refundable deposit”. Pursuant to the negotiations between MA and MHPL, the initial capital contribution was a condition set by MA to secure the transaction and to provide a form of security to MA that MHPL would proceed with the Acquisition.

**BY ORDER OF THE BOARD OF**  
Rex International Holding Limited

Dan Broström  
Executive Director and Chairman

12 January 2023