

REX INTERNATIONAL HOLDING LIMITED

(Company Number: 201301242M)

(Incorporated in the Republic of Singapore)

REX TO INVEST FURTHER INTO XER TECHNOLOGIES

1. INTRODUCTION

The board of directors (the **"Board"**) of Rex International Holding Limited (the **"Company"** or **"Rex"** and together with its subsidiaries, the **"Group"**) wishes to announce 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"**). This will bring RTI's shareholding interest in the Singapore-registered commercial drone company from 40% to approximately 53%, making Xer a subsidiary of the Company. Xer was incorporated in Singapore on 8 June 2021. As at the date of this announcement, Xer has a total issued and paid-up share capital of S\$1,417,000 comprising 83,333 ordinary shares.

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.

The initial consideration of US\$1 million and subsequent capital commitment of up to US\$3 million (collectively, the **"Consideration"**), to be fully satisfied in cash, was determined based on a willing buyer willing seller basis after negotiations between Xer and RTI, and taking into consideration the rationale for the Acquisition, the achievement of milestones following RTI's initial investment in 2021 and the potential of Xer.

2. CHAPTER 9 OF THE MAINBOARD RULES

Dr Karl Lidgren and Mr Hans Lidgren are controlling shareholders of the Company with a 34.71% deemed interest in the Company held through Limea Ltd. (**"Limea"**), in which each of Mr Hans Lidgren and Cresta Group Ltd (**"Cresta"**) have a 50% shareholding interest respectively. Cresta is in turn wholly-owned by Dr Karl Lidgren.

Cresta and Limea each hold 42% and 15% of the shareholding interest in Xer respectively, prior to Completion. Upon Completion, Cresta and Limea will hold approximately 33% and approximately 12% shareholding interest in Xer respectively. Dr Karl Lidgren is also a Non-Independent and Executive Director of the Company. As such, Xer is an "interested person" pursuant to Chapter 9 of Mainboard Rules (the **"Mainboard Rules"**) of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**). Accordingly, entry into the agreements between RTI and Xer as an "interested person", is an "interested person transaction" pursuant to Chapter 9 of the Mainboard Rules.

The total Consideration of up to US\$4 million represents approximately 2.04% of the Group's latest audited net tangible assets as at 31 December 2021, being US\$196.74 million ("**NTA**"), which is less than 3% of the NTA. Accordingly, the Company is not required to make an announcement in respect of the Agreements pursuant to Mainboard Rule 905. However, the Company has elected to make an announcement to inform shareholders of the Group's business diversification efforts.

As at the date of this announcement, there are no other transactions with Xer, Mr Hans Lidgren or Dr Karl Lidgren or their respective associates for the current financial year ending 31 December 2022 (excluding the Acquisition).

There have been no interested person transactions entered into between the Group and any interested person, excluding any transaction below S\$100,000, in the current financial year ending 31 December 2022.

3. THE ACQUISITION

3.1 About Xer

Xer was incorporated in Singapore on 8 June 2021, after having acquired 100% of the shareholding interest in UAV Development Sweden AB ("**UAVDS**") for Swedish Kroner 50,000 (approximately S\$7,900). UAVDS is a spin-off from a Swedish security company, Nicax Holding AB (6.7% held by a holding company 100% owned by Mr Martin Lidgren, son of Dr Karl Lidgren), that has been offering commercial drone flying search and rescue and surveillance services to customers since 2011.

In 2019, UAVDS started developing its own durable, long-range multirotor drones that could fly for several hours, when it saw a lack of suitable heavy-duty drones with long flight time on the market. The drones also offer a heavy net payload capability as well as a strong chassis suitable for heavy-duty all-weather use.

Xer develops and builds 'new-generation' drones to target clients in areas such as infrastructure inspection, search and rescue operations, public safety and additional applications. Xer has just sold its first drone through a tender to the Swedish government and the company is expecting to sell more drones in early Q1 2023 with ambitious sales targets for the full year.

Research suggest that the global commercial drone market size is anticipated to reach US\$501.4 billion by 2028, registering a Compound Annual Growth Rate (CAGR) of 57.5% from 2021 to 2028.¹ Goldman Sachs had forecast a US\$100 billion market opportunity for drones between 2016 and 2020, helped by growing demand from the commercial and civil government sectors.²

On 5 July 2021, RTI had subscribed to 33,333 shares in Xer, at a consideration of US\$1 million (the "**Previous Acquisition**"), for a 40% shareholding interest in Xer. At that time, RTI had committed to inject a capital amount of up to US\$3 million, subject to the achievement of

¹ Source: Grand View Research, "Commercial Drone Market Worth \$501.4 billion by 2028: CAGR: 57.5%", April 2021

² Source: Goldman Sachs website, Drones: Reporting for Work (goldmansachs.com)

certain technical and sales milestones by Xer. The production and testing milestones, save for the sales milestone, had been achieved.

Following Completion, the shareholders of Xer are RTI at approximately 53%, Cresta at approximately 33%, Limea at approximately 12%, and Makli Invest AS at approximately 2%. The unaudited net asset value of Xer as at 30 June 2022 was approximately US\$1.92 million.

3.2 Details of the Acquisition

Upon Completion in accordance with the terms and conditions of the Subscription Agreement, Xer will become a subsidiary of the Company.

While the Acquisition is also subject to the requirements of Chapter 10 of the Mainboard Rules, the transaction constitutes a non-discloseable transaction where the relative figures computed on the applicable bases set out under Mainboard Rule 1006 is less than 5%. Accordingly, the Company is not required to make an announcement in respect to the transaction.

Completion of the Acquisition is conditional upon, *inter alia*, the fulfilment of the following conditions:

- a) the receipt by RTI of a copy of minutes of a meeting of the board of directors of Xer under which the board of directors respectively have approved:
 - (i) the issuance of Xer Subscription Shares to RTI in accordance with and pursuant to the terms of the Subscription Agreement on closing of the Acquisition;
 - (ii) the issuance to RTI of a share certificate relating to the Xer Subscription Shares; and
 - (iii) the registration of RTI in Xer's register of members as the holder of the Xer Subscription Shares;
- b) the receipt by RTI of the same number of original shareholders' agreements as there are shareholders in Xer duly signed by Xer, RTI, all additional shareholders in Xer and the custodian of Xer's Shares;
- c) the completion of the final milestone in the subscription agreement dated 5 July 2021 in relation to the Previous Acquisition;
- d) the fulfilment of any one of the milestones in the Subscription Agreement.

3.3 Rationale for the Acquisition

The Company had invested in Xer in July 2021 to diversify from its core business of oil exploration and production to an investment in a promising company in an up-and-coming industry that exhibits strong potential growth, at a relatively modest Consideration, coupled with limited risks. This followed from the Group's business diversification mandate to diversify the Group's business to include sustainable solutions for energy production and materials used in various industries, which was approved by Rex's shareholders in 2019.

Xer had achieved most of the conditions precedent pursuant to the subscription agreement in relation to the Previous Acquisition and the Acquisition would allow the Company to invest further into Xer, which is continuing to make headways towards commercialisation.

4. STATEMENT FROM THE AUDIT COMMITTEE

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.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the Directors and to the best of the Directors' knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Acquisition, other than that arising from their respective capacity as Directors or shareholders of the Company.

BY ORDER OF THE BOARD OF
Rex International Holding Limited

Dan Broström
Executive Director and Chairman

30 December 2022