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Issuer: Rex International Holding Limited

Stock code: 5WH

Meeting details:

Date: 28 April 2023

Time: 3.00 p.m.

Venue: <<live webcast>>

Q1. On 30 March 2023, the company announced that its subsidiary, Lime Petroleum AS ("Lime"), had been pre-qualified as an operator on the Norwegian Continental Shelf (NCS) by the Norwegian Ministry of Petroleum and Energy on 28 March 2023. The pre-qualification process began in April 2022.

- (i) **What are the operational and financial benefits of Lime obtaining NCS operator pre-qualification status?**
- (ii) **What is the duration of the pre-qualification status?**
- (iii) **What opportunities are available in Norway in the next 18-36 months?**

Q2. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Operations:** OKEA ASA and Repsol Norge AS are the operators of the Brage Field and Yme Field respectively. **Given the group's minority stakes, what is the extent of management's influence over day-to-day operations, if any?**
- (ii) **Rex Virtual Drilling (RVD):** What is the level of success achieved in commercialising this technology outside of the group? How transformative is the RVDv5 upgrade, and does it incorporate artificial intelligence?
- (iii) **Malaysia:** The development of field plans for the group's 95% participating interest in two Production Sharing Contracts for the Rhu-Ara and Diwangsa Clusters in Malaysia is ongoing. An arranger of financing has been appointed. **Assuming everything goes according to plan, what is the estimated timeline for the recovery of the first barrel of oil?**
- (iv) **Profitability:** Despite higher revenue of US\$170.3 million, the net profit for the year was \$353,000 in FY2022, with a total comprehensive loss of \$(4.7) million. NAV per share slipped from 15.30 US cents to 14.47 US cents. Production and operating expenses increased to \$73.96 million in FY2022, up from \$25.55 million in FY2021. The increase in production and operating expenses of \$48.4 million outpaced the revenue increase of \$11.8 million. **Can management provide a detailed breakdown and/or a waterfall chart to show the changes in revenue and net profit between 2021 and 2022?**

Q3. On 26 March 2023, the company posted an announcement on SGXNet containing a reply to an open letter published in the Business Times. In the reply, the company restated the group's achievements on the oil fields and explained the rationale for diversifying outside of oil and gas.

The reply could be read here:

https://links.sgx.com/FileOpen/20230326_RIH_ReplyOpenLetterinBT_Final.ashx?App=Announcement&FileID=751010

Would the board/management provide further clarification to the issues raised? Specifically:

- (i) **Independent directors: What were the roles of the independent directors in the proposed transactions? Specifically, who led the negotiations with Moroxite T AB and Xer Technologies Pte. Ltd. and how were the valuations determined?**
- (ii) **Rex Technology Investments Pte Ltd: How does the group carry out its “venture” investing? Has the board established the investment and valuation framework for such investments?**
- (iii) **Low-risk projects with unicorn business potential: Can the board explain its deal sourcing process to find “low-risk projects with unicorn business potential”? Would such projects be too good to be true, or would they come with extremely high valuations?**

Separately, it is noted that Resolution 5 in the notice of annual general meeting calls for shareholders to approve additional remuneration to the non-executive directors, including the independent directors, of \$135,000 each, pursuant to the achievement of the performance targets, set and approved by the remuneration committee and the board.

- (iv) **Can the board help shareholders understand if it is a recommended corporate governance practice or a best practice to pay “performance bonuses” to non-executive directors, including independent directors?**
- (v) **In addition, given the performance targets are set and approved by the remuneration committee, would the remuneration committee members be waiving their bonuses (if approved) as it would appear that they are setting their own remuneration?** In the corporate governance report, the company has stated that no director or member of the RC is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his own remuneration or that of employees related to him/her.

If approved, the proposed quantum of \$675,000 will be distributed equally to the 5 non-executive directors, each receiving \$135,000 if approved. It is noted that the additional remuneration is for the financial year ended 31 December 2022.

Mr John d'Abo, Ms Mae Heng and Dr Mathias Lidgren were each appointed on 4 May 2022. Since they served on the board for less than eight months, linking their contributions over eight months to the group's performance targets may be tenuous. Even if such a link could be established, a fairer system would be to prorate the amount. Lastly, it does not seem like there are high-water mark or clawback mechanisms related to the award of the performance bonus to the non-executive directors. This could lead to situations where the decision-making of the non-executive directors may be impaired, or perceived to be impaired, especially when the group is making investments into new business opportunities with "unicorn business potential".

- (vi) **In the interest of practicing good corporate governance, could the board provide further explanation and clarity for the basis of Resolution 5 and better explain the rationale of paying \$135,000 to all the non-executive directors?** The board should provide more transparent information on the rationale for this resolution for shareholders to make an informed decision before voting. **If the board requires more time to provide such information, will the board consider putting on hold this resolution?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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