

# IX BIOPHARMA LTD.

(Company Registration no. 200405621W)  
(Incorporated in the Republic of Singapore)

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## PROPOSED DISPOSAL OF LABORATORY TESTING BUSINESS

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### 1. INTRODUCTION

The Board of Directors (the “**Board**”) of iX Biopharma Ltd. (the “**Company**” and together with its subsidiaries the “**Group**”), wishes to announce that the Company has entered into a sale and purchase agreement (the “**CAPL SPA**”) with Eurofins Australia New Zealand Holding Pty Ltd (the “**Purchaser**”), an independent third party, on 15 February 2019 in respect of the proposed disposal of the Company’s entire shareholding interest (comprising 20 ordinary shares) (the “**Sale Shares**”) in the Company’s wholly-owned subsidiary, Chemical Analysis Pty Ltd (“**CAPL**”) to the Purchaser (the “**Proposed Disposal**”).

### 2. INFORMATION ON CAPL

CAPL is a wholly-owned subsidiary of the Company incorporated in Australia which was acquired by the Company on 8 May 2014.

CAPL is engaged in the Group’s laboratory testing business (the “**Laboratory Testing Business**”).

### 3. CONSIDERATION

The consideration for the Proposed Disposal is A\$12.5 million (equivalent to approximately S\$12.00 million based on the exchange rate of A\$1.00:S\$0.96 as at the date immediately preceding the date of this Announcement) (the “**Consideration**”), which shall be satisfied by the Purchaser entirely in cash.

The Consideration may be adjusted in accordance with the terms of the CAPL SPA, taking into account, inter alia, the net working capital and net debt amounts of CAPL as at the last calendar day of the month prior to day on which completion occurs under the CAPL SPA (the “**Completion Date**”).

Pursuant to the terms of the CAPL SPA, (a) an amount of A\$11.475 million of the Consideration shall be paid by the Purchaser to the Company on the Completion Date; (b) an amount of A\$0.4 million (subject to such amount as may be added or subtracted pursuant to the adjustments to the Consideration under the CAPL SPA) shall be paid by the Purchaser to the Company within 85 business days from the Completion Date; and (c) an amount equivalent to the Claims Hold Back Balance (as defined below), in the event the Company does not make a Bank Guarantee Election (as defined below), shall be paid by the Purchaser to the Company 18 months from the Completion Date.

The Consideration, which was arrived at after arm's length negotiations and on a willing-buyer willing-seller basis, was arrived at based on and after taking into account the book value and the net tangible asset value ("**NTA**") of the Sale Shares of approximately S\$1.40 million and S\$1.16 million respectively based on the Group's latest announced unaudited financial statements for the period ended 31 December 2018.

Assuming that there are no adjustments to the Consideration, the Consideration represents an excess of approximately S\$10.60 million and S\$10.84 million over the book value and the NTA of the Sale Shares respectively. The net gain on disposal is approximately S\$10.4 million.

#### 4. **SALIENT TERMS OF THE CAPL SPA**

##### **a. Conditions precedent**

The Proposed Disposal is conditional upon the following conditions precedent:

- (a) certain assets to be excluded from the Proposed Disposal (as provided in the CAPL SPA) having been transferred to iX Syrinx Pty Ltd ("**Syrinx**") in accordance with an asset transfer deed to be executed between CAPL and Syrinx (the "**Asset Transfer Deed**");
- (b) certain employees to be excluded from the Proposed Disposal (as provided in the CAPL SPA) having either accepted offers of employment made by Syrinx in accordance the CAPL SPA or having had their employment terminated by CAPL;
- (c) certain liabilities to the Company to be excluded from the Proposed Disposal (as provided in the CAPL SPA) having been assumed by Syrinx, novated to Syrinx or have otherwise ceased to be liabilities of CAPL in accordance with the Asset Transfer Deed;
- (d) no insolvency event having occurred in respect of CAPL; and
- (e) there being no event having a material adverse effect on the business of CAPL or CAPL since the date of the CAPL SPA to Completion Date.

##### **b. Hold back for indemnity**

Pursuant to the terms of the CAPL SPA, an amount equivalent to A\$0.625 million (the "**Claims Hold Back Amount**") shall be retained by the Purchaser for a period of 18 months after the Completion Date, which may be offset against any indemnity claims made by the Purchaser against the Company in accordance with the terms of the CAPL SPA (the "**Claims Hold Back Balance**"). The Company shall also have the discretion, prior to the Completion Date, to elect to provide a bank guarantee in substitution for and in replacement of the Claims Hold Back Amount (the "**Bank Guarantee Election**"). If the Company so elects, the Claims Hold Back Balance will be released to the Company within 5 business days from the provision of the bank guarantee.

##### **c. Completion date**

Pursuant to the CAPL SPA, the completion of the Proposed Disposal shall take place on the date that is five (5) business days after the date on which the conditions precedent are satisfied or waived.

## 5. RATIONALE AND USE OF PROCEEDS

The Board had indicated on 11 February 2019 in the Company's announcement of its unaudited financial statements for the second quarter and first half-year ended 31 December 2018 that it was assessing its corporate strategy for CAPL given the anticipated trends affecting the laboratory testing business.

The Board is of the view that the Company should focus its attention and financial resources to manage its core business, which is the development and commercialisation of innovative therapies to address areas of unmet health needs, and not the laboratory testing business, which is a non-core, ancillary business it had acquired when the Company acquired a group of companies for the primary purpose of adding manufacturing capabilities to the Group in 2014. The Group leverages on its patented sublingual drug delivery technology, WaferiX, to develop proprietary products that incorporate active compounds. This novel method of administration allows faster delivery and reduction in loss of drugs due to hepatic and gastrointestinal metabolism, hence improving the bioavailability of the drugs. This is especially in the light of the strides made by the Group in progressing its pharmaceutical and nutraceutical businesses in the past year.

To date, the Group has successfully registered 21 products with the Therapeutic Goods Australia with several products in the pipeline. The Group requires funding for the continuous development and the anticipation of commercialisation in the third quarter of the financial year ending 31 December 2019 of its pharmaceutical and nutraceutical products. This includes sales and marketing expenditure in Australia and in the region, and funds to scale up the Group's manufacturing capacity, among other things.

The Group has also completed the critical Phase 2b clinical study on Wafermine, its sublingual ketamine wafer drug under development, to demonstrate the efficacy of Wafermine for the treatment of pain in patients experiencing acute post-surgical pain. The Company reported positive efficacy and safety results in September 2018. Following the positive outcome from the study, it is an opportune time for the Company to pursue the monetization of Wafermine via out-licensing to other pharmaceutical or suitable companies and jointly develop the Wafermine Phase 3 clinical trial programme with such partners. This is a potentially high value objective that requires intense time and effort from the management team.

The business model of the laboratory testing business is very labour intensive as it derives fees for services rendered. The Proposed Disposal allows the Group to better use or rationalise its resources with the goal of achieving better returns for Shareholders. The Consideration also provides the Group with the funds to grow more strongly in its core business areas.

Moreover, the Group expects that there will be intense competition within the chemical analysis and testing sector in Australia within the next 12 months. In order to maintain CAPL's competitive position and continue to achieve growth, the Group will require additional capital investments and human resources. The competition in this market is expected to intensify and will add uncertainty to the industry and the resultant pressure on the Group's performance. As the opportunities for further development of CAPL are limited, the Board believes that the disposal of CAPL on a value-optimized basis would be in the interest of its shareholders. At the same time, CAPL will have the opportunity to develop successfully under a differently positioned owner.

The Group expects to receive net proceeds of approximately S\$11.75 million (after deducting estimated expenses of approximately S\$250,000) from the Proposed Disposal. The Group intends to utilise the net proceeds from the Proposed Disposal to repay bank borrowings,

marketing its pharmaceutical and nutraceutical products and for scaling up its manufacturing capacity.

## 6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

For illustrative purposes only, the relative figures for the Proposed Disposal calculated in accordance with the bases set out in Rule 1006, are set out below. The calculations are based on the latest announced unaudited financial statements for the period ended 31 December 2018.

| Rule 1006 of the Catalist Rules | Description  | Relative figures              |
|---------------------------------|--|-------------------------------|
| (a)                             | The net asset value (“NAV”) of the assets to be disposed of compared with the Group’s NAV.   | 8.89% <sup>(1)</sup>          |
| (b)                             | The net profit attributable to the assets to be disposed of compared with the Group’s net consolidated losses.   | (0.16)% <sup>(2)</sup>        |
| (c)                             | The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares.  | 8.86% <sup>(3)</sup>          |
| (d)                             | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.  | Not applicable <sup>(4)</sup> |
| (e)                             | The aggregate volume or amount proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral oil and gas company, but not to an acquisition of such assets. | Not applicable <sup>(5)</sup> |

### Notes:

- (1) As at 31 December 2018, CAPL’s NAV was S\$1.40 million and the Group’s NAV was S\$15.79 million.
- (2) Under Rule 1002(3)(b) of the Listing Manual of the SGX-ST Section B: Rules of Catalist (“Catalist Rules”), “net profits” means profit or loss before income tax, minority interests and extraordinary items. The net profit attributable to the Sale Shares is S\$0.01 million and the net consolidated losses of the Group is S\$6.84 million for the six months ended 31 December 2018.
- (3) Based on the Consideration of A\$12.5 million (equivalent to approximately S\$12.00 million based on the exchange rate of A\$1.00:S\$0.96 as at the date immediately preceding the date of this Announcement) and the market capitalisation of the Company of approximately S\$135.4 million as at 14 February 2019, being the full market day immediately preceding the date of the CAPL SPA. Under Rule 1002(5) of the Catalist Rules, the

market capitalisation of the Company is determined by multiplying the number of shares in issue excluding treasury shares, being 644,594,057 ordinary shares in the capital of the Company (“**Shares**”), and the weighted average price of S\$0.21 per Share on 14 February 2019.

- (4) Not applicable as the transaction is not an acquisition.
- (5) Not applicable as the transaction is not a disposal of mineral, oil or gas assets by a mineral oil and gas company.

The relative figure under Rule 1006(b) of the Calalist Rules is a negative figure and the Company has consulted with the Sponsor pursuant to Rule 1007 of the Catalist Rules. As the applicable figures computed under Rules 1006(a) and (c) of the Catalist Rules exceeds 5% but is less than 50%, the Proposed Disposal constitutes a “discloseable transaction” under Rule 1010 of the Catalist Rules.

## 7. PRO-FORMA FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal on the NTA per Share and the loss per Share (“**LPS**”) of the Group have been prepared based on the audited consolidated financial statements of the Company for the financial year ended 30 June 2018 (“**FY2018**”).

For the purpose of illustrating the financial effects of the Proposed Disposal, the *pro forma* financial effects have been prepared based on, among others, the following assumptions:

- (a) the financial effects on the NTA per share of the Group are computed assuming that (i) the Proposed Disposal was completed on 30 June 2018;
- (b) the financial effects on the loss per share of the Group are computed assuming that the Proposed Disposal; was completed on 1 July 2017; and
- (c) the cost and expenses in connection with the Proposed Disposal are disregarded for the purposes of calculating the *pro forma* financial effects.

Please note that the financial figures set out below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance of the Group after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Group after the completion of the Proposed Disposal.

### Effects on NTA per share

|                                | Before completion of the Proposed Disposal | After completion of the Proposed Disposal |
|--------------------------------|--|---|
| NTA (S\$'000)                  | 20,655                                     | 31,718                                    |
| Number of issued Shares ('000) | 642,696                                    | 642,696                                   |
| NTA per share (cents)          | 3.22                                       | 4.94                                      |

Effects on EPS

|  | Before completion of the Proposed Disposal | After completion of the Proposed Disposal |
|--|--|---|
| Earnings attributable to owners of the Company (S\$'000) | (15,096)                                   | (4,894)                                   |
| Weighted average number of issued Shares ('000)          | 641549                                     | 641,549                                   |
| EPS (cents)  | (2.35)                                     | (0.76)                                    |

**8. SERVICE AGREEMENTS**

No new directors are proposed to be appointed to the Board in connection with the Proposed Disposal. Accordingly, no service agreements will be entered into with any new director of the Company in connection with the Proposed Disposal.

**9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors and, as far as the Directors are aware, none of the controlling shareholders of the Company, has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

**10. DOCUMENTS FOR INSPECTION**

A copy of the CAPL SPA is available for inspection at the registered office of the Company at 1 Kim Seng Promenade #14-01 Great World City East Tower, Singapore 237994, during normal business hours for three (3) months from the date of this Announcement.

**11. FURTHER ANNOUNCEMENTS**

The Company will make subsequent announcements to update Shareholders when there are material updates as may be necessary or appropriate.

**12. CAUTION IN TRADING**

Shareholders of the Company ("**Shareholders**") and potential investors of the Company should note that the Proposed Disposal is subject to the fulfilment of certain conditions precedent.

Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company. In particular, 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 Proposed Disposal will be completed. Shareholders and potential investors of the Company are advised to read this Announcement and any further announcements made by the Company carefully. Shareholders and potential investors of Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Eddy Lee  
Chairman & CEO

18 February 2019

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.*