

Issuer: IX Biopharma Ltd.
Security: IX Biopharma Ltd.

Meeting details:

Date: 25 Oct 2016

Time: 10:00H

Venue: NUSS Kent Ridge Guild House, Inner Chamber, at 9 Kent Ridge Drive, Singapore 119241

Company Description

iX Biopharma Ltd., a specialty pharmaceutical company, develops, manufactures, and commercializes therapies for pain management and male erectile dysfunction in Singapore and Australia. The company leverages its patented sublingual drug delivery technology, WaferiX, to develop proprietary products that incorporate pharmacologically active compounds that have been approved by the United States Food and Drug Administration. Its lead product, Wafermine, is an oral-sublingual ketamine that provides relief from acute, severe, and chronic pain, primarily neuropathic pain. The company is also developing PheoniX, a product that contains sildenafil citrate for the treatment of male erectile dysfunction; and Wafernyl, a product containing fentanyl that provides relief for patients suffering from cancer, postoperative, and traumatic pain. In addition, it provides chemical analysis and laboratory testing services. iX Biopharma Ltd. was founded in 2008 and is headquartered in Singapore.

(Source: http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42C)

1. New drug application is extremely costly and time consuming and shareholders may not be fully aware of the intricacies of the process, especially if the company is seeking commercialization in different jurisdiction like Australia (Therapeutic Goods Administration of Australia) and the United States (US Food and Drug Administration). In addition, there are different possible pathways such as the expedited regulatory pathway set out under Section 505(j) of the Federal Food, Drug and Cosmetic Act of the US, and Schedule 5A of the Therapeutic Goods Regulations 1990 of Australia.

With five products in the pipeline, and each at a different stage of its development, **can the company help shareholders understand the risks by mapping out the five products against the regulatory pathway undertaken in the different countries. Please include all the major milestones, estimated costs and time for each stage, and the potential of the each addressable market.**

2. For the benefit of the current shareholders, the group must manage its expenses and cash flow prudently. Constant fund-raising will distract management from the business and lead to dilution of existing shareholders. Despite keeping “a tight rein on expenses”, total expenses before R&D increased by S\$1.3 million, excluding the one-off expenses incurred in the previous year for share-based payments and listing expense (page 5 – Chairman’s statement). **Can the company reveal the current burn-rate and provide a breakdown of the \$1.3 million increase in total expenses and reconcile it to the financial statements?** For instance, as shown in note 7, wages and salaries increased from \$4.5 million to \$5.9 million in 2016. **Also, could the remuneration committee (RC) explain how they balance cash payment versus non-cash incentives such as the share option scheme and share plan?**

3. In the Remuneration section in the Corporate Governance report (page 19), the remuneration committee’s responsibilities under its terms of reference include:

(a) Review and recommend to the Board a general framework of remuneration for the Board and key management personnel (as defined in the Code)

It was then disclosed that “the remuneration framework under the purview of the RC covers all aspects of remuneration including but not limited to Directors’ fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind”.

However, on page 21, it is noted that the “Board is responsible for overseeing the iX Employee Share Option Scheme (the “Share Option Scheme”) and the iX Performance Share Plan (the “Share Plan”) (collectively, the “Schemes”) and administering the Schemes in accordance with the guidelines set”.

Can the RC explain why it has not taken up the responsibility of administering the Schemes?

In addition, the RC appointed an external independent remuneration consultant, Carrots Consulting Pte Ltd (“Carrots Consulting”) during the financial year “to review the fee framework for non-executive Directors to ensure the fees are comparable and competitive to those companies in the same industry, of comparable size and having similar business models” (page 20). **Can the RC disclose the “Terms of Reference” given to Carrots Consulting?**

Based on the recommendation of Carrots Consulting, the basic director fee is set at \$71,500. As the board had opted not to disclose the individual director's fees, the estimated average director fees would be \$82,000 each. **Can the RC explain what were the comparable firms used?** There are perhaps no listed companies in Singapore that are similar to iX Biopharma. **Given that the directors are not appointed for their pharmaceutical expertise, would it be fair to use companies listed on other exchanges for comparison since the fiduciary duties and responsibilities vary significantly based on the law of the country and the listing requirements of the exchange?**

4. Based on the Letter To Shareholders in relation to

(i) The proposed participation by Mr Eddy Lee Yip Hang, a controlling shareholder of the company, in the iX performance share plan

(ii) The proposed grant of an award to Mr Eddy Lee Yip Hang, a controlling shareholder of the company, under the iX performance share plan

(a) Since the controlling shareholder holds a substantial stake, his interest should already be aligned with the interest of the company and other shareholders. How will giving him such shares help in further aligning interest?

(b) Over what period and based on what performance measures will the performance shares vest? What performance targets have to be met in order for the shares to vest? Can the RC/board confirm that there are performance targets to meet and not just time-based targets?

(c) What is the fair value of the performance shares that will be granted? Please disclose the key variables used in the calculation of the fair value of the performance shares.