
SUBSCRIPTION OF SENIOR CONVERTIBLE BONDS IN A BIOTECH CO., LTD.

1. INTRODUCTION

The board of directors (the “**Board**”) of CDW Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Tomoike Industrial (H.K.) Limited (“**HK Tomoike**”), has entered into a Senior Convertible Bonds Subscription Agreement (“**Subscription Agreement**”) with A Biotech Co., Ltd. (the “**Issuer**” or “**ABio**”) on 17 December 2021. Pursuant to the Subscription Agreement, HK Tomoike will subscribe for an aggregate principal amount of USD800,000 of unregistered convertible bonds at the Coupon Rate (as defined herein) (“**Bonds**”) to be issued by the Issuer for an aggregate subscription consideration of USD800,000 on the terms and conditions of the Subscription Agreement (the “**Proposed Subscription**”).

2. THE PROPOSED SUBSCRIPTION

2.1 The Salient Terms of the Proposed Subscription are summarised as follows:

Subscriber	The sole subscriber of the Bonds is HK Tomoike. HK Tomoike is a wholly-owned subsidiary of the Company. As at the date of this Announcement, HK Tomoike holds a 48.46% shareholding in the Issuer. Assuming full conversion at the Maturity Date (as defined herein), HK Tomoike will hold 51.95% shareholding in the Issuer.
Consideration	HK Tomoike will subscribe for an aggregate principal amount of USD800,000 of unregistered convertible bonds at the Coupon Rate (as defined herein) (“ Bonds ”) to be issued by the Issuer for an aggregate subscription consideration of USD800,000 on the terms and conditions of the Subscription Agreement. Assuming conversion at the Maturity Date (as defined herein), the maximum amount of the Consideration will be USD800,000.
Issue Price	The Bonds will be issued 100% of the total face value.
Coupon Rate	The Coupon Rate of the Bonds is one (1)% per annum higher than the USD best lending rate of Hongkong and Shanghai Banking Corporation Limited which will be calculated quarterly. The interest shall not capitalise into the principal amount of the Bonds.
Completion	Completion of the Proposed Subscription is to take place seven (7) days from the satisfaction or waiver of the conditions precedent listed in the Subscription Agreement.
Security	The Bonds are unsecured.
Redemption	<p>Under the Terms and Condition of the Bonds, the Issuer shall redeem the Bonds at their principal amount on Maturity Date (as defined herein). Early redemption is not allowed.</p> <p><u>Subscriber’s Right to Initiate Redemption</u></p> <p>At any time after Completion, the Subscriber has the right to convert all or any portion of its Bonds into the Shares at any time during the Conversion Period by delivering to the Issuer a notice of conversion.</p>

Maturity Date	The maturity date of the Bonds is three (3) years from the date of issuance of the Bonds.
Conversion Price	Conversion price of KRW15,000 (approximately USD12.71 based on the exchange rate of US\$1 to KRW1,180).
Conversion Price Adjustments	<p><u>Price Adjustment in the Event of Free Distribution, Sub-division, Consolidation or Reclassification of Shares</u></p> <p>If the Issuer makes a distribution of its shares without consideration, sub-divide any of its outstanding shares, consolidate any of its outstanding shares into a smaller number of shares, or re-classify any of its shares into other securities of the shares, the Conversion Price shall be adjusted so that the Subscriber shall be entitled to receive the number of shares which it would have held or have been entitled to receive after the occurrence of any of the events described herein had such conversion been exercised immediately prior to the occurrence of such event.</p> <p><u>Price Adjustment on Issuance of Equity Securities</u></p> <p>If the Issuer (i) issues or sells any of its shares for a consideration per share (net of any selling concessions, discounts or commissions) which is less than, or (ii) issues any options, warrants, equity securities or any securities that are convertible into or exercisable or convertible for or that represent the right to acquire its shares with a conversion price, exchange price, strike price, exercise price or other relevant price less than, or (iii) adjusts the issue price effective under sub-clause (ii) to be less than KRW25,000, then the Conversion Price (as of a specific Conversion Date) shall be adjusted so that:</p> $\text{Conversion Price After Adjustment} = \frac{\text{Aggregate sum of the Issue Price of all New Shares below KRW25,000}}{\text{Total Number of New Shares below KRW25,000 (Issued prior to conversion date)}} \times 0.6$
Transferability	The Subscriber may resell the Bonds to any third party without the consent of the Issuer prior to the Maturity Date; provided that such resale shall not be made to fifty (50) or more purchasers within one (1) year after the issuance of the Bonds; provided further, such resale shall not be made where the face value of the Bond would require to be broken up into smaller denomination within one (1) year after the issuance of the Bonds.
Applicable Law	Korean Law

The Consideration was arrived based on willing-buyer and willing-seller basis taking into account various factors including, an independent valuation conducted by an independent valuer, the issue price of the ABio shares, and benchmarked against previous consideration prices of share transfers by ABio as well as against valuation of companies which are listed and traded on stock exchanges whose business activities and industries which are broadly comparable to ABio. The Consideration will be satisfied in cash.

For the purposes of the Proposed Subscription, HK Tomoike appointed Accounting Corporation Seil One of Korea as the independent valuer to conduct a stock valuation of ABio as of 30 June 2021. The valuation is prepared and based on the revenue approach using the discounted cash flow method. The discounted cash flow method is a method used to estimate the value of an investment based on its expected future cash flows. It was noted that the conversion price is at a discount range of between 64% and 66% from the equity value per share as indicated by the independent valuation.

2.2 Information on the Issuer

The Issuer was incorporated by HK Tomoike as a wholly owned subsidiary in South Korea on 16 January 2018. It is a research and development company with focus in the life science industry. As at the date of this Announcement, the Issuer is 48.46% owned by HK Tomoike, 27.69% owned by Mr Yoshimi Koichi and 23.85% owned by other shareholders. The Issuer is now an associated company of the Group. The directors of the Issuer are Mr Yoshimi Kunikazu, Mr Chou Li Sheng, Mr Yoshimi Koichi and Mr Kato Tomonori as at the date of this Announcement.

Based on its audited accounts for the financial year ended 31 December 2020 and the exchange rate of US\$1 to KRW1,180, the Issuer incurred a loss after tax of KRW1.36 Billion, (equivalent to US\$1.16 million), and had net tangible liabilities of KRW0.92 billion, (equivalent to US\$0.78 million), as at 31 December 2020.

2.3 Use of Proceeds by the Issuer

The Issuer intends to use the proceeds from the Proposed Subscription as (i) working capital to fund in-house research and development activities, and daily operations; and (ii) to repay previous interest-free loans from the management of Issuer amount to KRW350 million (approximately USD 0.3 million).

2.4 Rationale and Benefit

Since July 2019, the Group has been collaborating with ABio and Okayama University on research to enhance the potential therapeutic applications of the anti-Cripto-1 antibody in targeting cancer stem cells. It is believed that the development of anti-Cripto-1 antibody in targeting cancer stem cells has the potential to bring new drugs to market with greater efficacy in the treatment of metastatic and invasive cancers.

Further pre-clinical trials will have to be completed to determine the efficacy in treating human patients. Currently, the internal trials of anti-Cripto-1 antibody against brain tumour cells have been completed, and parties are preparing to move towards the pre-clinical trials of other cancers besides brain tumour.

If the Issuer raises funding from third party investors, the Company's equity interest in the Issuer would be diluted and reduced. The Proposed Subscription allows the Company to maintain its shareholding percentage in ABio without being diluted further.

The Group currently has investible funds which has been making a return of less than 1% per annum and noted that the Proposed Subscription will generate a return of 3.5% per annum in the form of interest income to the Group.

3. DISCLOSEABLE TRANSACTION

3.1 Relative Figures for the Proposed Subscription

3.1.1 The relative figures of the Proposed Subscription computed on the bases set out under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“Listing Manual”) are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not Applicable ⁽¹⁾
(b)	The net loss ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽²⁾ .	(6.52)% ⁽³⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	1.94% ⁽⁴⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable ⁽⁵⁾
(e)	The aggregate volume or amount of 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 ⁽⁶⁾

Notes:-

- (1) This basis is not applicable to the Proposed Subscription.
- (2) Under Rule 1002(3)(b), “net profits” means profit or loss before income tax, minority interests and extraordinary items, and “net loss” means the loss before income tax, minority interests and extraordinary items.
- (3) The net loss of the Group for the six months ended 30 June 2021 is US\$365,000. The net loss of ABio for the six months ended 30 June 2021 is KRW387.4 million or approximately US\$328,000 based on the exchange rate of US\$1 to KRW1,180. As at the date of this Announcement, ABio has issued a total of 866,665 shares. Assuming full conversion at the Maturity Date at KRW15,000 and based on the exchange rate of US\$1 to KRW1,180, ABio will issue 62,933 new shares to HK Tomoike. The net loss attributable to the assets acquired would be US\$23,800, being the loss of US\$328,000 for the six months ended 30 June 2021 divided by the total of 866,665 shares and then multiplied by 62,933 shares.
- (4) The Company's market capitalisation was approximately SG\$56,371,000, determined by multiplying the total issued shares of 222,987,408 shares by the 6-month volume weighted average price of the Company's shares of SG\$0.2528 per share, based on trades done on the SGX-ST on date of day immediately before announcement, the full market day immediately prior to the execution of the Subscription Agreement and the exchange rate of US\$1 to S\$1.3667 with reference to the exchange rate as quoted in Monetary Authority of Singapore on date of day immediately before announcement. The Consideration for the Proposed Subscription is SG\$1,093,360 as at the date of execution of the Subscription Agreement.
- (5) This basis is not applicable to the Proposed Subscription.
- (6) This basis is not applicable to the Proposed Subscription.

- 3.1.2 Based on the relative figure(s) above which are computed based on the relevant bases, under Rule 1006, and taking into consideration the guidance provided in Paragraph 4.4(a) of Practice Note 10.1 of the Listing Manual, the Proposed Subscription qualifies as a discloseable transaction and is not subject to the approval of the shareholders.

3.2 Financial Effects of the Proposed Subscription

- 3.2.1 For illustrative purposes only, the financial effects of the Proposed Subscription on the Group based on the audited financial statements of the Group for the financial year ended 31 December 2020 are as set out below, assuming full conversion of the Bonds had been exercised and conversion shares issued as at the beginning of FY2020. Please note that the financial effects of the Proposed Subscription on the Group as set out above are strictly for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Subscription. No representation is made as to the actual financial position and/or results of the Company and the Group after completion of the Proposed Subscription.

(a) Earnings Per Share (“**EPS**”)

The effect of the Proposed Subscription on the EPS of the Group shown below is based on the most recently completed financial year (i.e. FY2020), assuming that the Proposed Subscription had been effected at the beginning of FY2020.

	Before the Proposed Subscription, conversion and issue of conversion shares	After the Proposed Subscription, conversion and issue of conversion shares
Profit attributable to owners of the Company (US\$)	1,474,000	1,452,000
Weighted average number of issued shares	222,115,116	222,115,116
EPS (US cents)	0.66	0.65

(b) Net Tangible Assets (“**NTA**”) per share

The effect of the Proposed Subscription on the NTA per share of the Group shown below is based on the most recently completed financial year (i.e. FY2020), assuming that the Proposed Subscription, full conversion of the Bonds had been exercised and conversion shares issued as at the end of FY2020.

	Before the Proposed Subscription, conversion and issue of conversion shares	After the Proposed Subscription, conversion and issue of conversion shares
NTA (US\$)	50,002,000	49,757,000
Number of issued shares	221,987,408	221,987,408
NTA per share (US cents)	22.52	22.41

3.3 Source of Funds for the Bonds

The Consideration will be satisfied in cash which will be funded by internal resources.

4. INTERESTED PARTY TRANSACTION

4.1 Mr Yoshimi Koichi has a 27.69% shareholding in the Issuer. Mr Yoshimi Koichi is the son of Mr Yoshimi Kunikazu who is deemed as a controlling shareholder of the Company¹. Given that the effective interest held by Mr Yoshimi Kunikazu in the Issuer is 52.36%, the Proposed Subscription would constitute the provision of financial assistance to the “associate” of an “interested person” and therefore an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual.

4.2 Materiality Thresholds Under Chapter 9

	USD
Value of transaction (principal and interest)	872,000
Group's latest audited net tangible assets (“NTA”) (as at 31 December 2020)	50,002,000
Value of transaction against the NTA	1.74%

Pursuant to Rule 905 of the Listing Rules, the Company is required to make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% but less than 5% of the Group's latest audited NTA of the Group.

4.3. Total Value Of Interested Person Transactions In The Current Year

Under Chapter 9 of the Listing Manual, the Group is required to aggregate the value of all transactions entered into with the same interested person during the same financial year. Apart from the Proposed Subscription, HK Tomoike has extended the following loans to the Issuer:

Date	Nature of Interested Person Transaction	Loan Amount (USD)
4 Feb 2021	Unsecured Loan	500,000
14 Feb 2021	Unsecured Loan	300,000
2 Apr 2021	Unsecured Loan	50,000
16 Apr 2021	Unsecured Loan	250,000
20 Apr 2021	Unsecured Loan	90,000
20 May 2021	Unsecured Loan	100,000
31 Dec 2021	Interest payable to HK Tomoike on loans extended	53,619
31 Dec 2021	Additional interest payable to HK Tomoike on overdue loan	3,767
	TOTAL:	1,347,386

As at the date of this Announcement, the total interested person transactions with the same interested person for the year ending 31 December 2021 is approximately USD 1.35 million, when aggregated with the consideration and related interest income of the Proposed Subscription of USD872,000, amounts to more than 3% but less than 5% of the Group's latest audited NTA. As the aggregate interested person transactions with the same interested person do not amount to 5% of the Group's latest audited NTA, Shareholders' Approval is not required.

¹ Mr Yoshimi Kunikazu is deemed a controlling shareholder of the Company by virtue of his shares in Mikuni Company Limited. As at the date of the Announcement, Mr. Yoshimi Kunikazu owns 100% shareholding in Mikuni Company Limited which in turn owns 50.91% shareholding in the Company.

4.4 AUDIT COMMITTEE STATEMENT

The Company has appointed CEL Impetus Corporate Finance Pte Ltd as independent financial adviser (“IFA”) to advise the audit committee of the Company on whether the Proposed Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority Shareholders.

The IFA has given due consideration to the following key factors in arriving at their opinion:

- a) Rationale for Proposed Subscription;
- b) Interest rate under the Proposed Subscription;
- c) Conversion price of the Bonds under the Proposed Subscription;
- d) Valuation of Shares under the Proposed Subscription;
- e) Comparison with financial ratios as implied by the share prices of selected comparable companies; and
- f) Equity Valuation of ABio.

Having regard to the considerations set out above and the information made available to the IFA by the Company, the IFA is of the opinion that the Proposed Subscription is on normal commercial terms and is not prejudicial to the interest of the Company and its minority shareholders.

After considering the opinion of the IFA and based on the considerations above, the audit committee of the Company is of the view that the Proposed Subscription is on normal commercial terms, and is not prejudicial to the interest of the Company and its minority shareholders.

A copy of the IFA Letter is available for public inspection with details under paragraph 9 of this Announcement.

5. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Announcement, none of the Directors or substantial shareholders of the Company or their associates has any interest, directly or indirectly, in the Proposed Subscription.

6. SERVICE CONTRACTS

There are no directors who are proposed to be appointed to the Board of the Company in connection with the Proposed Subscription. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7. RESPONSIBILITY STATEMENT

The Directors of the Company (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and the Directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

8. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Company's shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisers.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Singapore Share Transfer Agent of the Company, Boardroom Corporate Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 for a period of three (3) months from the date of this Announcement:

- a) Subscription Agreement;
- b) Terms and Conditions of Bonds;
- c) IFA letter dated 26 November 2021; and
- d) Consent letter from the IFA dated 15 December 2021.

BY ORDER OF THE BOARD

YOSHIKAWA Makoto
Chairman and Chief Executive Officer

17 December 2021