



HYPHENS PHARMA INTERNATIONAL LIMITED
(Company Registration No. 201735688C)

Condensed Interim Financial Statements
For the six months ended 30 June 2021

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A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<u>Notes</u>	Group	
		6 months ended 30 June 2021	6 months ended 30 June 2020
		\$'000	\$'000
Revenue	4	65,376	61,640
Cost of sales		(40,624)	(40,535)
Gross profit		24,752	21,105
Other income and gains		348	1,457
Distribution and marketing expenses		(14,271)	(12,373)
Administrative expenses		(5,234)	(4,716)
Finance costs		(48)	(51)
Other losses		(317)	(273)
Profit before tax	6	5,230	5,149
Income tax expense	7	(915)	(867)
Profit for the financial period, net of tax		4,315	4,282
<u>Other comprehensive loss:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(19)	(86)
Other comprehensive loss for the period		(19)	(86)
Total comprehensive income		4,296	4,196
Earnings per share			
Earnings per share currency unit		<u>Cents</u>	<u>Cents</u>
Basic			
Continuing operations		1.44	1.43
Diluted			
Continuing operations		1.43 ⁽¹⁾	1.43

⁽¹⁾ This includes the effects of dilution from share awards granted under Hyphens Performance Share Plan (1,485,000 shares, granted on 19 Mar 2021).

B. Condensed Interim Statements of Financial Position

	<u>Notes</u>	<u>Group</u>		<u>Company</u>	
		30 Jun 2021 \$'000	31 Dec 2020 \$'000	30 Jun 2021 \$'000	31 Dec 2020 \$'000
ASSETS					
<u>Non-current assets</u>					
Plant and equipment	11	4,011	4,807	101	124
Intangible assets	10	7,708	7,890	–	–
Investment in subsidiaries		–	–	19,220	19,220
Deferred tax assets		47	47	–	–
Total non-current assets		11,766	12,744	19,321	19,344
<u>Current assets</u>					
Inventories	13	15,086	16,888	–	–
Trade and other receivables	12	28,281	29,421	3,214	5,569
Prepayments		292	564	39	64
Cash and cash equivalents		30,921	27,526	13,620	13,449
Total current assets		74,580	74,399	16,873	19,082
Total assets		86,346	87,143	36,194	38,426
EQUITY AND LIABILITIES					
<u>Equity</u>					
Share capital	15	32,641	32,641	32,641	32,641
Retained earnings		32,078	29,626	2,824	5,072
Other reserves		(15,111)	(15,092)	–	–
Total equity		49,608	47,175	35,465	37,713
<u>Non-current liabilities</u>					
Deferred tax liabilities		372	409	–	–
Other financial liabilities, non-current	14	2,113	3,558	–	–
Total non-current liabilities		2,485	3,967	–	–
<u>Current liabilities</u>					
Income tax payable		1,274	1,345	3	3
Trade and other payables		30,939	33,240	726	710
Other financial liabilities, current	14	2,040	1,416	–	–
Total current liabilities		34,253	36,001	729	713
Total liabilities		36,738	39,968	729	713
Total equity and liabilities		86,346	87,143	36,194	38,426

C. Condensed Interim Statements of Changes in Equity

	<u>Total equity</u>	<u>Share capital</u>	<u>Retained earnings</u>	<u>Other reserves</u>
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
Current period:				
Balance at 1 January 2021	47,175	32,641	29,626	(15,092)
Total comprehensive income for the period	4,296	–	4,315	(19)
Dividends paid (Note 8)	(1,863)	–	(1,863)	–
Balance at 30 June 2021	<u>49,608</u>	<u>32,641</u>	<u>32,078</u>	<u>(15,111)</u>
Previous period:				
Balance at 1 January 2020	44,076	32,641	26,467	(15,032)
Total comprehensive income for the period	4,196	–	4,282	(86)
Dividends paid (Note 8)	(3,004)	–	(3,004)	–
Balance at 30 June 2020	<u>45,268</u>	<u>32,641</u>	<u>27,745</u>	<u>(15,118)</u>
	<u>Total equity</u>	<u>Share capital</u>	<u>Retained earnings</u>	
	\$'000	\$'000	\$'000	
<u>Company</u>				
Current period:				
Balance at 1 January 2021	37,713	32,641	5,072	
Total comprehensive loss for the period	(385)	–	(385)	
Dividends paid (Note 8)	(1,863)	–	(1,863)	
Balance at 30 June 2021	<u>35,465</u>	<u>32,641</u>	<u>2,824</u>	
Previous period:				
Balance at 1 January 2020	37,553	32,641	4,912	
Total comprehensive loss for the period	(173)	–	(173)	
Dividends paid (Note 8)	(3,004)	–	(3,004)	
Balance at 30 June 2020	<u>34,376</u>	<u>32,641</u>	<u>1,735</u>	

D. Condensed Interim Consolidated Statement of Cash Flows

	<u>Group</u>	
	6 months ended 30 June 2021 \$'000	6 months ended 30 June 2020 \$'000
<u>Cash flows from operating activities</u>		
Profit before tax	5,230	5,149
Adjustments for:		
Amortisation of intangible assets	202	200
Depreciation of plant and equipment	858	808
Interest income	(37)	(73)
Interest expense	48	51
Gain on disposal of plant and equipment	–	(3)
Net effect of exchange rate changes in consolidating foreign operations	(15)	(112)
Operating cash flows before changes in working capital	6,286	6,020
Trade and other receivables	1,216	(965)
Prepayments	286	(548)
Inventories	1,802	(5,022)
Trade and other payables	(2,301)	4,379
Net cash flows from operations	7,289	3,864
Income taxes paid	(1,023)	(223)
Net cash flows from operating activities	6,266	3,641
<u>Cash flows from investing activities</u>		
Down-payment for plant and equipment	(90)	–
Purchase of plant and equipment	(65)	(283)
Purchase of intangible assets	(20)	(624)
Proceed from sale of plant and equipment	–	6
Interest received	37	73
Net cash flows used in investing activities	(138)	(828)
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(1,863)	(3,004)
Payment of principal portion of lease liabilities	(424)	(376)
Interest paid	(48)	(51)
Proceeds from borrowings	–	841
Repayment of borrowings	(398)	(300)
Net cash flows used in financing activities	(2,733)	(2,890)
Net increase (decrease) in cash and cash equivalents	3,395	(77)
Cash and cash equivalents, at beginning of the period	27,526	26,165
Cash and cash equivalents, at end of the period	30,921	26,088

E. Notes to the Condensed Interim Consolidated Financial Statements

1. General

Hyphens Pharma International Limited (the “Company”) is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Catalist Board (the “Catalist”) of Singapore Exchange Securities Trading Limited.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 are presented in Singapore dollars (which is the Company’s functional currency) and they cover the Company (referred to as “parent”) and the subsidiaries (collectively, the “Group”).

The Company’s principal activities are those of an investment holding company and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 4 on segment and revenue information.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

Uncertainties relating to the COVID-19 pandemic:

The COVID-19 pandemic and the aftermath of the pandemic has caused and continues to cause disruptions resulting in uncertainties surrounding the reporting entity’s business, including affecting its relationships with its existing and future customers, suppliers and employees, and which had and will continue to have an adverse effect on its financial position, financial performance of operations, cash flows and prospects for the foreseeable future. There is significant uncertainty around the medium to long-term impact of the COVID-19 pandemic. Other entities are also evolving and assets held by them may have material uncertainties and / or disclaimers regarding the impact of COVID-19. These uncertainties gave rise to difficulties in making an accurate assessment by management of the future financial impacts on the reporting entity. Management will continue to closely monitor the further economic development and its impact. It is however reasonably probable that the COVID-19 pandemic will have an adverse impact on the reporting entity’s revenues and results for the next reporting year, the extent of which will depend on how long the aftermath of the pandemic lasts.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2021 (“1H2021”) have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”), except for the adoption of new and amended standards as set out in Note 2.1.

2.1. New and amended standards adopted by the Group

A number of amendments to SFRS(I)s have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses. Actual results could differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 4 – Revenue recognition

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 10 – Assessment of impairment of goodwill
- Note 12 – Expected credit loss allowance on trade receivables
- Note 13 – Allowance on inventories

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

- (1) Specialty pharma principals segment ("Specialty pharma principals") which is in the business of marketing and selling a range of specialty pharmaceutical products with exclusivity in the relevant ASEAN countries.
- (2) Proprietary brands segment ("Proprietary brands") which is in the business of developing, marketing and selling its own proprietary range of dermatological products and health supplement products.
- (3) Medical hypermart and digital segment ("Medical hypermart and digital") which is a wholesaler of pharmaceuticals and medical supplies in Singapore, which the Group positions itself as a medical hypermart for healthcare professionals, healthcare institutions and retail pharmacies.

These operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. They are managed separately because each business requires different strategies.

4.1 Reportable segments

4.1.1 Profit or loss from continuing operations and reconciliations

	<u>Specialty pharma principals</u>		<u>Proprietary brands</u>		<u>Medical hypermart and digital</u>		<u>Unallocated</u>		<u>Total</u>	
	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue by segment										
Total revenue by segment	34,839	31,408	9,390	9,167	21,147	21,065	–	–	65,376	61,640
Total revenue	34,839	31,408	9,390	9,167	21,147	21,065	–	–	65,376	61,640
EBITDA	4,564	3,598	961	1,520	1,091	1,156	(278)	(66)	6,338	6,208
Finance costs	–	–	–	–	–	–	(48)	(51)	(48)	(51)
Depreciation and amortisation	(10)	(10)	(193)	(190)	–	–	(857)	(808)	(1,060)	(1,008)
Profit (loss) before tax	4,554	3,588	768	1,330	1,091	1,156	(1,183)	(925)	5,230	5,149
Income tax expense									(915)	(867)
Profit net of tax									4,315	4,282

The unallocated expenses mainly included the Group's headquarters expenses such as employee benefits expenses, statutory and regulatory expenses.

4.1.2 Assets and reconciliations

	<u>Specialty pharma principals</u>		<u>Proprietary brands</u>		<u>Medical hypermart and digital</u>		<u>Unallocated</u>		<u>Total</u>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets for reportable segments	25,410	27,657	14,322	14,831	10,810	10,849	–	–	50,542	53,337
Unallocated:										
Plant and equipment	–	–	–	–	–	–	4,011	4,807	4,011	4,807
Prepayments	–	–	–	–	–	–	292	564	292	564
Cash and cash equivalents	–	–	–	–	–	–	30,921	27,526	30,921	27,526
Other receivables	–	–	–	–	–	–	580	909	580	909
Total Group assets	25,410	27,657	14,322	14,831	10,810	10,849	35,804	33,806	86,346	87,143

4.1.3 Liabilities and reconciliations

	<u>Specialty pharma principals</u>		<u>Proprietary brands</u>		<u>Medical hypermart and digital</u>		<u>Unallocated</u>		<u>Total</u>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total liabilities for reportable segments	16,562	19,206	3,758	3,073	9,065	9,817	–	–	29,385	32,096
Unallocated:										
Income tax payable	–	–	–	–	–	–	1,274	1,345	1,274	1,345
Financial liabilities	–	–	–	–	–	–	4,153	4,974	4,153	4,974
Trade and other payables	–	–	–	–	–	–	1,926	1,553	1,926	1,553
Total Group liabilities	16,562	19,206	3,758	3,073	9,065	9,817	7,353	7,872	36,738	39,968

4.1.4 Other material items and reconciliations

	<u>Specialty pharma principals</u>		<u>Proprietary brands</u>		<u>Medical hypermart and digital</u>		<u>Unallocated</u>		<u>Total</u>	
	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Allowance for impairment on trade receivables and inventories loss (reversal)	159	77	129	102	(105)	87	–	–	183	266
Expenditures for non-current assets	–	41	20	583	–	–	65	283	85	907

4.2 Disaggregation of revenue

	Group	
	1H2021	1H2020
	\$'000	\$'000
<i>Types of goods or service:</i>		
Sale of goods	65,001	61,209
Commission income	155	122
Marketing services fee and advertisement	219	267
Other revenue	1	42
Total revenue	<u>65,376</u>	<u>61,640</u>
<i>Geographical information:</i>		
Singapore	32,277	30,829
Vietnam	23,778	21,724
Malaysia	4,957	4,056
Others	4,364	5,031
Total revenue	<u>65,376</u>	<u>61,640</u>

Judgement is required in determining when the control of the inventories have passed to the distributors. Management has reviewed the Group's distribution agreements and arrangements with the distributors and concluded that the control of the inventories is passed to the distributors upon delivery unless for those inventories specified under consignment arrangements. The distributors are considered as a principal and not an agent because the distributors are independent operating parties that bear both the credit risk of their customers and inventory risk of the purchased goods. Accordingly, revenue is recognised based on point in time when delivery of goods has been made.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	Group		Company	
	30 Jun	31 Dec	30 Jun	31 Dec
	2021	2020	2021	2021
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	59,202	56,947	16,834	19,018
	<u>59,202</u>	<u>56,947</u>	<u>16,834</u>	<u>19,018</u>
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	35,092	38,214	726	710
	<u>35,092</u>	<u>38,214</u>	<u>726</u>	<u>710</u>

6. Profit before taxation

6.1 Significant items

	<u>Group</u>	
	1H2021	1H2020
	\$'000	\$'000
<i>Income</i>		
Government grants ⁽¹⁾	311	1,087
Interest income	37	73
<i>Expenses</i>		
Advertising and promotional expenses	4,365	3,364
Allowance for inventories obsolescence	81	126
Depreciation and amortisation	1,060	1,008
Employee benefits expenses	8,450	8,087
Foreign exchange translation losses (gains)	134	(287)
Inventories written off	102	147
Research and development expenses	181	65

⁽¹⁾ In the current reporting period, it included grant from Jobs Support Scheme totalled \$130,000 (1H2020: \$872,000). The purpose of the Jobs Support Scheme is to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid COVID-19 for 17 months from April 2020 to August 2021.

6.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements. Intragroup transactions and balances that have been eliminated in these consolidated financial statements.

7. Taxation

Components of income tax expense recognised in profit or loss:

	<u>Group</u>	
	1H2021	1H2020
	\$'000	\$'000
<u>Current tax expense</u>		
Current tax expense	956	840
(Over) Under adjustment in respect of prior periods	(3)	4
<u>Deferred tax (income) expense</u>		
Deferred tax (income) expense	(38)	23
Total income tax expense	915	867

8. Dividends

	<u>Group</u>	
	1H2021	1H2020
	\$'000	\$'000
Dividends paid during the reporting period:		
Final exempt (1-tier) dividends paid of 0.62 cent per share (1H2020: Interim exempt (1-tier) dividends paid of 1.00 cent per share)	1,863	3,004

No dividend has been declared or recommended for 1H2021 (1H2020: Nil). On the grounds of prudence, the Board will review the dividend pay-out after close of the financial year.

9. Net asset value

	<u>Group</u>		<u>Company</u>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Net asset value per ordinary share (Singapore cents per share)	16.51	15.70	11.80	12.55

10. Intangible assets

	<u>Group</u>		
	Goodwill	Distribution rights and trademarks	Total
	\$'000	\$'000	\$'000
At 31 December 2020			
Cost	5,844	5,057	10,901
Accumulated impairment and amortisation	(993)	(2,018)	(3,011)
Net book value at 31 December 2020	4,851	3,039	7,890
6 months ended 30 June 2021			
<i>Cost:</i>			
As at 1 January 2021	5,844	5,057	10,901
Additions	—	20	20
Balance at 30 June 2021	5,844	5,077	10,921
<i>Accumulated impairment and amortisation:</i>			
As at 1 January 2021	993	2,018	3,011
Amortisation for the period	—	202	202
Balance at 30 June 2021	993	2,220	3,213
Net book value at 30 June 2021	4,851	2,857	7,708

10. Intangible assets (cont'd)

10.1 Goodwill

There was no movement in the amount of goodwill during the current reporting period. In assessing the goodwill impairment, management has determined the recoverable amount of the cash generating unit (CGU) as at 30 June 2021 based on its value in use. Value in use was determined by discounting the future cash flows similar to the 31 December 2020 goodwill impairment test. There is no change to the key assumptions used.

11. Plant and equipment

	Group				
	Plant and equipment \$'000	Hardware and software \$'000	Fixtures and equipment \$'000	Motor vehicles \$'000	Total \$'000
<u>Cost:</u>					
At 1 January 2020	4,232	1,033	3,235	145	8,645
Additions	171	95	276	–	542
Disposals	(1)	(21)	(95)	(19)	(136)
Foreign exchange adjustments	–	1	1	5	7
At 31 December 2020	4,402	1,108	3,417	131	9,058
Additions	5	42	18	–	65
Disposals	–	(25)	–	–	(25)
Foreign exchange adjustments	(2)	(1)	(2)	–	(5)
At 30 June 2021	4,405	1,124	3,433	131	9,093
<u>Accumulated depreciation:</u>					
At 1 January 2020	859	751	957	130	2,697
Depreciation for the year	880	143	647	10	1,680
Disposals	(1)	(20)	(94)	(18)	(133)
Foreign exchange adjustments	–	–	2	5	7
At 31 December 2020	1,738	874	1,512	127	4,251
Depreciation for the period	446	70	338	4	858
Disposals	–	(25)	–	–	(25)
Foreign exchange adjustments	(1)	(1)	–	–	(2)
At 30 June 2021	2,183	918	1,850	131	5,082
<u>Carrying value:</u>					
At 1 January 2020	3,373	282	2,278	15	5,948
At 31 December 2020	2,664	234	1,905	4	4,807
At 30 June 2021	2,222	206	1,583	–	4,011

11. Plant and equipment (cont'd)

	<u>Company</u>		
	Hardware and software \$'000	Fixtures and equipment \$'000	Total \$'000
<u>Cost:</u>			
At 1 January 2020	2	221	223
Additions	2	–	2
At 31 December and 30 June 2021	4	221	225
<u>Accumulated depreciation:</u>			
At 1 January 2020	1	55	56
Depreciation for the year	1	44	45
At 31 December 2020	2	99	101
Depreciation for the period	1	22	23
At 30 June 2021	3	121	124
<u>Carrying value:</u>			
At 1 January 2020	1	166	167
At 31 December 2020	2	122	124
At 30 June 2021	1	100	101

12. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	30 Jun 2021 \$'000	31 Dec 2020 \$'000	30 Jun 2021 \$'000	31 Dec 2020 \$'000
<u>Trade receivables:</u>				
Outside parties	27,905	28,716	–	–
Less allowance for impairment	(204)	(204)	–	–
Subsidiaries	–	–	314	556
Net trade receivables - subtotal	27,701	28,512	314	556
<u>Other receivables:</u>				
Staff advances	9	5	–	–
Deposits to secure services	528	502	–	–
Subsidiaries	–	–	2,900	5,000
Goods and services tax receivables	43	212	–	–
Other receivables	–	43	–	–
Government grant receivable ⁽¹⁾	–	147	–	13
Other receivables – subtotal	580	909	2,900	5,013
Total trade and other receivables	28,281	29,421	3,214	5,569

⁽¹⁾ Government grant receivable from Jobs Support Scheme.

12. Trade and other receivables (cont'd)

	<u>Group</u>		<u>Company</u>	
	30 Jun	31 Dec	30 Jun	31 Dec
	2021	2020	2021	2021
	\$'000	\$'000	\$'000	\$'000
Movements in above allowance:				
At beginning of the period/year	204	220	–	–
Reversal of allowance credited to profit or loss included in other gains	–	(16)	–	–
At end of the period/year	<u>204</u>	<u>204</u>	<u>–</u>	<u>–</u>

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of the COVID-19 pandemic. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The receivables have common risk characteristics as compared to previous years. There were no significant bad debts noted in the previous years. The Group assesses the credit risk of major customers and risk of default rates of the customers using audited financial statements, management accounts, and available press information about the customers and applying experienced credit judgement.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There is no collateral held as security and other credit enhancements for the trade receivables.

13. Inventories

	Group	
	30 Jun 2021 \$'000	31 Dec 2020 \$'000
Raw materials and supplies	762	766
Finished goods and goods for resale ⁽¹⁾	14,324	16,122
	<u>15,086</u>	<u>16,888</u>
Inventories are stated after allowance.		
Movement in allowance:		
At beginning of the year	1,812	466
Charge to profit or loss included in other losses	81	1,624
Used	(551)	(278)
At end of the period/ year	<u>1,342</u>	<u>1,812</u>
The amount of inventories included in cost of sales	38,195	75,731
The inventories written off charged to profit or loss included in other losses	<u>102</u>	<u>428</u>

Management applied judgement in determining the appropriate allowance for inventories by taking into consideration various factors, including the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories.

There are no inventories pledged as security for liabilities.

⁽¹⁾ Included in finished goods and goods for resale are inventories under consignment with distributors amounted to \$728,000 (2020: \$4,814,000).

14. Borrowings

	Group			
	30 Jun 2021		31 Dec 2020	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less, or on demand:				
Bank borrowings	–	1,160	–	564
Lease liabilities	–	880	–	852
Subtotal	<u>–</u>	<u>2,040</u>	<u>–</u>	<u>1,416</u>
Repayable after one year:				
Bank borrowings	–	840	–	1,832
Lease liabilities	–	1,273	–	1,726
Subtotal	<u>–</u>	<u>2,113</u>	<u>–</u>	<u>3,558</u>
Total	<u>–</u>	<u>4,153</u>	<u>–</u>	<u>4,974</u>

Details of any collaterals:

All banking facilities are covered by corporate guarantee provided by the Company and its subsidiaries Hyphens Pharma Pte. Ltd. or Pan-Malayan Pharmaceuticals Pte Ltd.

15. Share capital

	<u>Group and Company</u>	
	<u>Number of</u>	<u>Share</u>
	<u>shares issued</u>	<u>capital</u>
	<u>'000</u>	<u>\$'000</u>
<u>Ordinary shares of no par value:</u>		
Balance at 1 January 2020, 31 December 2020 and 30 June 2021	<u>300,430</u>	<u>32,641</u>

The total number of issued shares as at 30 June 2021 was 300,430,400 (31 December 2020: 300,430,400).

There has been no change in the Company's share capital since 31 December 2020.

On 19 March 2021, the Company has granted share awards to eligible employees of the Group by the allotment of an aggregate of 1,485,000 ordinary shares ("New Shares") in the capital of the Company pursuant to the Hyphens Performance Share Plan. Subject to the satisfaction of the performance criteria, the New Shares will vest as follows:

(i) 985,000 shares on 31 December 2022

(ii) 500,000 shares on 31 March 2024

The market price of the New Shares was at \$0.315 per share at the grant date.

The New Shares shall have a sale restriction moratorium period of one year from the date of issue.

The Company do not hold any treasury shares or other convertible instruments as at 30 June 2021 and 30 June 2020.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. Other Information Required by Catalyst Rule Appendix 7C

1. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business.

Consolidated Statement of Comprehensive Income

1H2021 compared to 1H2020

	1H2021	1H2020	Change
	S\$'000	S\$'000	%
Revenue by business segments			
Specialty pharma principals	34,839	31,408	10.9
Proprietary brands	9,390	9,167	2.4
Medical hypermart and digital	21,147	21,065	0.4
	65,376	61,640	6.1

	1H2021	1H2020	Change
	S\$'000	S\$'000	%
Revenue by geographical locations			
Singapore	32,277	30,829	4.7
Vietnam	23,778	21,724	9.5
Malaysia	4,957	4,056	22.2
Others	4,364	5,031	(13.3)
	65,376	61,640	6.1

Revenue

The Group's revenue increased by 6.1% or S\$3.8 million from S\$61.6 million in 1H2020 to S\$65.4 million in 1H2021.

All three business segments contributed to the revenue increase. The specialty pharma principals segment led the growth with 10.9% increase in revenue, resulted mainly from increased demand in Vietnam, Singapore and Malaysia. This was further complemented with increased revenue from the proprietary brands segment by 2.4% with higher demand for dermatological products under Ceradan®. Revenue from the medical hypermart and digital segment remained stable with slight increase of 0.4%.

Gross profit

Gross profit corresponding rose by 17.3% or S\$3.7 million from S\$21.1 million in 1H2020 to S\$24.8 million in 1H2021.

Gross profit margin had increased from 34.2% in 1H2020 to 37.9% in 1H2021 due to improved margin in specialty pharma principals segment.

Other income and gains

Other income and gains reduced by 76.1% or S\$1.1 million from S\$1.4 million in 1H2020 to S\$0.3 million in 1H2021 due mainly to lower government grants (mainly from the Jobs Support Scheme) received in 1H2021.

Consolidated Statement of Comprehensive Income (cont'd)

1H2021 compared to 1H2020 (cont'd)

Distribution and marketing expenses

Distribution and marketing expenses increased by 15.3% or S\$1.9 million from S\$12.4 million in 1H2020 to S\$14.3 million in 1H2021 due to increased advertising and promotional expenses to promote products in proprietary brands and specialty pharma principals segments.

Administrative expenses

Administrative expenses increased by 11.0% or S\$0.5 million from S\$4.7 million in 1H2020 to S\$5.2 million in 1H2021 due to higher R&D costs and staff costs.

Other losses

Other losses remained comparable at S\$0.3 million for 1H2021 with foreign exchange losses and lower allowance for inventories obsolescence and inventories written off.

Profit before tax

Profit before tax increased by 1.5% or S\$0.1 million from S\$5.1 million in 1H2020 to S\$5.2 million in 1H2021, mainly due to higher revenue partially offset by lower government grant income, higher distribution and marketing expenses and administrative expenses as explained above.

Income tax expense

Income tax expense for 1H2021 was comparable with 1H2020.

Profit after tax

As a result of the foregoing, the Group's net profit after tax increased marginally by 0.8% or S\$0.04 million, from S\$4.28 million in 1H2020 to S\$4.32 million in 1H2021.

Consolidated Statements of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 June 2021 and 31 December 2020.

Non-current assets

The Group's non-current assets decreased by S\$1.0 million from S\$12.7 million as at 31 December 2020 to S\$11.7 million as at 30 June 2021 primarily due to depreciation of plant and equipment of S\$0.9 million and amortisation of intangible asset of S\$0.2 million, offset by new assets acquisition of S\$0.1 million.

Current assets

The Group's current assets increased by S\$0.2 million from S\$74.4 million as at 31 December 2020 to S\$74.6 million as at 30 June 2021 mainly due to increase in cash and cash equivalents by S\$3.4 million, partially offset by decreases in inventories, trade and other receivables and prepayments by S\$1.8 million, S\$1.1 million and S\$0.3 million respectively.

Consolidated Statements of Financial Position (cont'd)

Non-current liabilities

The Group's non-current liabilities decreased by S\$1.5 million from S\$4.0 million as at 31 December 2020 to S\$2.5 million as at 30 June 2021 due to the recognition of the current portion of loan and lease liabilities under current liabilities.

Current liabilities

The Group's current liabilities reduced by S\$1.7 million from S\$36.0 million as at 31 December 2020 to S\$34.3 million as at 30 June 2021. This was mainly attributable to the reduction in trade and other payables of S\$2.3 million, partially offset by the recognition of the current portion of loan and lease liabilities.

Consolidated Statements of Cash Flows

1H2021

The Group generated net cash of S\$6.3 million from operating activities in 1H2021, mainly due to operating cash flows before changes in working capital of S\$6.3 million, net working capital inflows of S\$1.0 million and income taxes paid of S\$1.0 million.

The net working capital inflows were due to (i) decrease of inventories of S\$1.8 million, (ii) decrease in trade and other receivables of S\$1.2 million and (iii) decrease in prepayments of S\$0.3 million, partially offset by (iv) decrease in trade and other payables of S\$2.3 million.

Net cash flows used in financing activities amounted to S\$2.7 million during 1H2021, mainly due to dividend payment of S\$1.9 million, lease payment of S\$0.4 million and repayment of borrowings of S\$0.4 million.

2. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

There was no forecast or a prospect statement.

3. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months**

Internationalisation and Investment in Proprietary Brands

The Group continues to actively pursue prospective partners in its internationalisation efforts to expand to other parts of Asia in relation to its proprietary brands. The Group will continue to undertake further clinical developments to reinforce Ceradan®'s clinical positioning and to delve into applied research and development ("R&D") for new products through improved formulations.

The Group has recently launched its latest Ocean Health® nutritional supplement High Strength Eye Moist Omega Formula to promote moist eyes and healthy vision.

Strengthen Specialty Pharma Portfolio

The Group remains focused on further cementing its leadership position and deepening its presence in the ASEAN region and is actively seeking licencing opportunities for new products.

Going Digital

With rising acceptance of telemedicine, the Group intends to enhance its service offering to capture this growing opportunity. The Group has been awarded an e-pharmacy licence for its WellAway Pharmacy by the Health Sciences Authority. The e-pharmacy is set to provide a reliable and convenient medication delivery service to residential homes, complementing the increasing usage of telemedicine by the Group's medical partners in Singapore.

Impact from COVID-19

Market recovery in the region has been inconsistent and unpredictable. With the recent lockdowns in several ASEAN countries, demand in certain markets may be affected. The Group will remain agile and vigilant to respond to market conditions.

- 4. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect**

The Group does not have a general mandate from shareholders for interested person transactions.

- 5. Negative confirmation of Interim Financial Results pursuant to Catalist Rule 705(5)**

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for 1H2021 to be false or misleading in any material aspect.

Lim See Wah

Chairman and Chief Executive Officer

Tan Chwee Choon

Executive Director

- 6. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Catalist Rule 720(1)**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) under Catalist Rule 720(1).

7. Utilisation of proceeds from the Initial Public Offering (“IPO”)

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

	Allocated S\$'000	Utilised S\$'000	Balance S\$'000
Business expansion, including potential acquisitions, joint ventures, product development and research and development collaborations	7,000	1,867	5,133
General corporate and working capital purposes ⁽¹⁾	3,552	1,917	1,635
Setting up of our integrated facility	3,000	3,000	-
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	-
Gross proceeds from the Invitation	15,600	8,832	6,768

The above utilisation is in accordance with the intended use of proceeds from the IPO as stated in the Offer Document.

- ⁽¹⁾ Amount utilised for general corporate and working capital purposes up to the date of this announcement is approximately S\$1,917,000 with details as follows:

Nature of Working Capital	Amount Utilised S\$'000
Compliance costs	265
Directors' fees	534
Digital enhancement	510
Staff costs	409
Other operating expenses	199

BY ORDER OF THE BOARD

Lim See Wah

Chairman and Chief Executive Officer

11 August 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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