

HYPHENS PHARMA INTERNATIONAL LIMITED

(Company Registration No. 201735688C)
(Incorporated in the Republic of Singapore)

Unaudited Financial Statements
For the First Quarter Ended 31 March 2020

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) A statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	1Q2020	1Q2019	Change
	S\$'000	S\$'000	%
Revenue	31,441	27,004	16.4%
Cost of sales	(20,539)	(17,529)	17.2%
Gross profit	10,902	9,475	15.1%
Other income and gains	300	123	143.9%
Distribution costs	(6,238)	(5,162)	20.8%
Administrative expenses	(2,227)	(2,527)	-11.9%
Finance costs	(23)	(42)	-45.2%
Other losses	(125)	(192)	-34.9%
Profit before tax	2,589	1,675	54.6%
Income tax expense	(465)	(246)	89.0%
Profit, net of tax	2,124	1,429	48.6%
<u>Other comprehensive (loss)/ income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	(63)	27	N.M.
Other comprehensive (loss)/ income for the period, net of tax:	(63)	27	N.M.
Total comprehensive income	2,061	1,456	41.6%

Note: N.M. – Not meaningful

1(a)(ii) Breakdown and explanatory notes to the consolidated statement of comprehensive income

Profit before tax is arrived at after charging / (crediting) the following:

	1Q2020	1Q2019	Change
	S\$'000	S\$'000	%
Interest income	(40)	(23)	73.9%
Government grants	(129)	(100)	29.0%
Depreciation and amortisation	500	492	1.6%
Allowance/ (reversal of allowance) for inventories obsolescence	54	(54)	N.M.
Inventories written off	71	40	77.5%
Foreign exchange adjustments (gains)/ losses	(126)	205	N.M.
Under/ (over)provision of tax in respect of prior years	4	(52)	N.M.
(Gain)/ loss on disposal of plant and equipment	(5)	1	N.M.
R&D expenses	22	54	-59.3%

Note: N.M. – Not meaningful

(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	5,585	5,948	156	167
Intangible assets	7,971	7,462	-	-
Deferred tax assets	126	105	-	-
Investment in subsidiaries	-	-	19,220	19,220
Total non-current assets	13,682	13,515	19,376	19,387
<u>Current assets</u>				
Inventories	11,772	11,431	-	-
Trade and other receivables	30,276	28,654	5,225	6,325
Prepayments	502	366	39	60
Cash and cash equivalents	27,799	26,165	13,418	12,468
Total current assets	70,349	66,616	18,682	18,853
Total assets	84,031	80,131	38,058	38,240
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	32,641	32,641	32,641	32,641
Retained earnings	28,591	26,467	4,760	4,912
Other reserves ⁽ⁱ⁾	(15,095)	(15,032)	-	-
Total equity	46,137	44,076	37,401	37,553
<u>Non-current liabilities</u>				
Deferred tax liabilities	455	469	-	-
Other financial liabilities, non-current	2,240	2,442	-	-
Total non-current liabilities	2,695	2,911	-	-
<u>Current liabilities</u>				
Income tax payable	1,756	1,459	-	-
Trade and other payables	31,953	30,628	657	687
Other financial liabilities, current	1,490	1,057	-	-
Total current liabilities	35,199	33,144	657	687
Total liabilities	37,894	36,055	657	687
Total equity and liabilities	84,031	80,131	38,058	38,240

Note:

- (i) Other reserves include negative merger reserve of \$15.165 million relating to the difference between the consideration paid by the Company and the equity of Hyphens Pharma Pte. Ltd. acquired in relation to the restructuring exercise undertaken in relation to the listing of the Company on the Catalist Board of the SGX-ST ("Restructuring Exercise"). The acquisition of Hyphens Pharma Pte. Ltd. by the Company was completed on 19 April 2018.

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

	31 Mar 2020		31 Dec 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	-	720	-	300
Amount repayable after one year	-	-	-	-
	-	720	-	300

Details of any collaterals:

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

1(c) **A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	1Q2020	1Q2019
	S\$'000	S\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	2,589	1,675
Adjustments for:		
Amortisation of intangible assets	99	98
Depreciation of plant and equipment	401	394
Interest income	(40)	(23)
Interest expense	23	42
Loss on disposal of plant and equipment	(5)	1
Net effect of exchange rate changes in consolidating foreign operations	(64)	27
Operating cash flows before changes in working capital	3,003	2,214
Trade and other receivables	(1,622)	2,387
Prepayments	(136)	324
Inventories	(341)	911
Trade and other payables	1,325	(3,248)
Net cash flows from operations	2,229	2,588
Income taxes paid	(203)	(295)
Net cash flows from operating activities	2,026	2,293
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(38)	(307)
Proceeds from sale of plant and equipment	6	-
Purchase of intangible assets	(608)	(3)
Interest received	40	23
Net cash flows used in investing activities	(600)	(287)
<u>Cash flows from financing activities</u>		
Payment of lease liabilities	(189)	(204)
Interest paid	(23)	(12)
Net increase/ (decrease) in bank borrowings	420	(2,000)
Net cash flows from/ (used in) financing activities	208	(2,216)
Net increase/ (decrease) in cash and cash equivalents	1,634	(210)
Cash and cash equivalents at beginning of period	26,165	22,353
Cash and cash equivalents at ending of period	27,799	22,143

- 1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000
Balance as at 1 January 2020	44,076	32,641	26,467	(15,032)
Total comprehensive income/ (loss) for the period	2,061	-	2,124	(63)
Balance as at 31 March 2020	46,137	32,641	28,591	(15,095)

Group	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000
Balance as at 1 January 2019	39,162	32,555	21,587	(14,980)
Total comprehensive income for the period	1,456	-	1,429	27
Balance as at 31 March 2019	40,618	32,555	23,016	(14,953)

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at 1 January 2020	37,553	32,641	4,912
Total comprehensive loss for the period	(152)	-	(152)
Balance as at 31 March 2020	37,401	32,641	4,760

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at 1 January 2019	36,323	32,555	3,768
Total comprehensive loss for the period	(82)	-	(82)
Balance as at 31 March 2019	36,241	32,555	3,686

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There has been no change in the Company's share capital since 31 December 2019.

The Company has no treasury shares or convertible instruments as at 31 March 2020 and 31 March 2019.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company has no treasury shares as at 31 March 2020 and 31 December 2019.

The total number of issued shares, excluding treasury shares, as at 31 March 2020 was 300,430,400 (31 December 2019: 300,430,400).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the auditors of the Company.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable

- 3(a) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion**

Not applicable

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Save as disclosed in Section 5 below, the accounting policies and methods of computation adopted in the financial statements for the reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 2019.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I)s ("SFRS(I)INT") that are effective for the financial periods beginning on or after 1 January 2020. The adoption of these SFRS(I)s and SFRS(I)INT did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	1Q2020	1Q2019
Earnings per share ("EPS")		
Profit attributable to owners of the Company (S\$'000)	2,124	1,429
Based on weighted average number of ordinary shares in issue ('000)	300,430	300,000
On a basic and diluted basis (Singapore cents per share)	0.71	0.48

Note: The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 31 March 2020 and 31 March 2019.

7 Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Net asset value ("NAV") (S\$'000)	46,137	44,076	37,401	37,553
Based on number of ordinary shares in issue ('000)	300,430	300,430	300,430	300,430
NAV per ordinary share (Singapore cents per share)	15.36	14.67	12.45	12.50

- 8 **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on**

Consolidated Statement of Comprehensive Income

1Q2020 compared to 1Q2019

	1Q2020	1Q2019	Change
	S\$'000	S\$'000	%
Revenue by business segments			
Specialty pharma principals	15,383	13,836	11.2%
Proprietary brands	4,655	3,426	35.9%
Medical hypermart and digital	11,403	9,742	17.0%
	<u>31,441</u>	<u>27,004</u>	16.4%

	1Q2020	1Q2019	Change
	S\$'000	S\$'000	%
Revenue by geographical locations			
Singapore	16,245	13,935	16.6%
Vietnam	10,237	9,068	12.9%
Malaysia	2,193	2,069	6.0%
Others	2,766	1,932	43.2%
	<u>31,441</u>	<u>27,004</u>	16.4%

Revenue

The Group's revenue increased by 16.4% or S\$4.4 million from S\$27.0 million in 1Q2019 to S\$31.4 million in 1Q2020.

Sales of the specialty pharma principals segment had increased by 11.2% in 1Q2020 resulting mainly from higher demand in Singapore and Vietnam. The increase was further complemented by increased sales of 35.9% in the proprietary brands segment due to higher sales of dermatological products under Ceradan® and TDF® brands and nutritional supplements under Ocean Health® brand as well as a 17.0% increase in sales from the medical hypermart and digital segment.

Gross profit

Gross profit increased by 15.1% or S\$1.4 million from S\$9.5 million in 1Q2019 to S\$10.9 million in 1Q2020.

Gross profit margin dropped slightly by 0.4% from 35.1% in 1Q2019 to 34.7% in 1Q2020 due to increased sales contribution from Vietnam which typically has lower margins.

Other income and gains

Other income and gains increased by 143.9% or S\$0.2 million from S\$0.1 million in 1Q2019 to S\$0.3 million in 1Q2020 due to higher government grants and foreign exchange adjustment gains following the strengthening of EUR and USD against SGD.

Distribution costs

Distribution costs increased by 20.8% or S\$1.0 million from S\$5.2 million in 1Q2019 to S\$6.2 million in 1Q2020 due to increased advertising and promotional expenses and higher staff costs due to the strengthening of human capital to support our long-term growth strategy.

Administrative expenses

Administrative expenses reduced by 11.9% or S\$0.3 million, from S\$2.5 million in 1Q2019 to S\$2.2 million in 1Q2020 due to an absence of non-recurring expenses such as the official opening of our new facility and the overlapping rental and retrofitting costs of our old premises in 1Q2019.

Other losses

Other losses decreased by 34.9% or S\$0.1 million from S\$0.2 million 1Q2019 to S\$0.1 million in 1Q2020, mainly due to the absence of foreign exchange adjustment loss, partially offset by increased allowance for inventories obsolescence and higher amount of inventories written off.

Profit before tax

Profit before tax increased by 54.6% or S\$0.9 million from S\$1.7 million in 1Q2019 to S\$2.6 million in 1Q2020, mainly due to higher revenue, reduced administrative expenses and other losses which were partially offset by higher distribution costs as explained above.

Income tax expense

Income tax expense for 1Q2020 was S\$0.2 million higher than 1Q2019, as a result of higher profits for the period.

Profit after tax

As a result of the foregoing, the Group's net profit after tax increased by 48.6% or S\$0.7 million, from S\$1.4 million in 1Q2019 to S\$2.1 million in 1Q2020.

Consolidated Statements of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 31 March 2020 and 31 December 2019.

Non-current assets

The Group's non-current assets increased by S\$0.2 million from S\$13.5 million as at 31 December 2019 to S\$13.7 million as at 31 March 2020 primarily due to trademark acquisition and in-licensing rights of approximately S\$0.6 million, partially offset by depreciation of plant and equipment and amortisation of intangible assets.

Current assets

The Group's current assets increased by S\$3.7 million from S\$66.6 million as at 31 December 2019 to S\$70.3 million as at 31 March 2020 mainly due to increase in trade and other receivables and cash and cash equivalents of S\$1.6 million each respectively.

The increase in trade and other receivables was mainly due to increase in trade receivables from Vietnam distributors, in line with the increased sales.

Consolidated Statements of Financial Position (cont'd)

Non-current liabilities

The Group's non-current liabilities decreased by S\$0.2 million from S\$2.9 million as at 31 December 2019 to S\$2.7 million as at 31 March 2020 due to recognition of the current portion of lease liabilities under current liabilities.

Current liabilities

The Group's current liabilities increased by S\$2.1 million from S\$33.1 million as at 31 December 2019 to S\$35.2 million as at 31 March 2020. This was mainly attributable to increase of S\$1.3 million in trade and other payables and net increase in bank borrowings of S\$0.4 million.

Consolidated Statements of Cash Flows

The Group generated net cash of S\$2.0 million from operating activities in 1Q2020, mainly due to operating cash flows before changes in the working capital of S\$3.0 million, net working capital outflows of S\$0.8 million and income taxes paid of S\$0.2 million.

The net working capital outflows were due to (i) increase in trade and other receivables of S\$1.6 million and (ii) increase in inventories of S\$0.3 million, partially offset by (iii) increase in trade and other payables of S\$1.3 million.

Net cash flows used in investing activities during 1Q2020 amounted to S\$0.6 million, mainly attributable to acquisition of trademark and in-licensing rights.

Net cash flows from financing activities amounted to S\$0.2 million during 1Q2020, mainly due to net bank borrowings of S\$0.4 million partially offset by lease payment amounting to S\$0.2 million.

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

Not applicable

10 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

Driving growth

Driving the growth of its skin health portfolio through its Ceradan® and TDF® brands remains the Group's strategic priority, and it will continue to nurture its Ocean Health® brand as a leading nutritional supplement brand of Singapore. Besides its proprietary brands, the Group will also continue to grow its existing sizable portfolio of specialty pharma principals' products, leveraging on its deep understanding of market needs and dynamics.

Going Digital

With COVID-19, digital adoption across different sectors is expected to grow exponentially. As it is, our virtual medical hypermart has already enjoyed robust growth. With rising acceptance of Telemedicine, we intend to enhance our service offering to capture this growing opportunity. We will speed up our investment in e-commerce for our consumer healthcare brands and step up digital engagement with medical professionals.

Impact from COVID-19

To combat the COVID-19 pandemic, the governments of Singapore, Indonesia, Malaysia, the Philippines and Vietnam have implemented varying degrees of control measures. The Group has continued to operate in these countries while complying with their respective regulatory requirements

and social distancing measures. Although there has been an increase in supply chain lead time and freight costs, the Group does not expect these delays to have any material impact on its operations.

With a net cash position of S\$27.1 million as of 31 March 2020 and net operating cash inflow of S\$2.0 million in 1Q2020, the Group does not expect to face any material adverse liquidity issues and continues to be able to meet its debt obligations or debt covenants. In addition, the Singapore government's budgetary support measures will also help the Group to defray the higher cost of operations during this challenging period.

The Group is also not facing any issue in fulfilling its material contractual obligations or any significant threat to affect its ability to operate as a going concern, barring any unforeseen circumstances. With our strong financial position, the Group is in a good position to seize opportunities as and when they arise and will regularly review its business plans in relation to changes in the market landscape.

With the uncertainties surrounding the eventual economic and financial impact of COVID-19 and the path to recovery, the Group is currently unable to ascertain the impact on its performance in the coming quarters of the financial year. Nevertheless, it recognises the importance for shareholders and investors to have up-to-date information about its business performance and operations during these uncertain times. As such, the Group has voluntarily decided to continue quarterly reporting in FY2020 so as to provide relevant and timely disclosure to the investing community.

Maintaining dividend policy

To reward its shareholders, the Group remains committed to maintaining its dividend policy to pay at least 30% of its net profits attributable to shareholders, which is subject to the Board's consideration of various factors such as earnings, cash flow requirements, plans for expansion, and availability of distributable reserves.

Pledging support for COVID-19

Furthermore, the Group is committing S\$150,000 to support frontline healthcare professionals with personal protection equipment in Singapore, Indonesia, Malaysia, the Philippines and Vietnam, as well as to donate to marginalised communities adversely affected by the COVID-19 pandemic.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? **No**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **No**

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared or recommended, a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended for the period under review. On the grounds of prudence, the Board will review the dividend pay-out after close of the financial year.

- 13 **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.

- 14 **Negative confirmation of Interim Financial Results pursuant to 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 1Q2020 to be false or misleading in any material aspect.

Lim See Wah
Chairman and Chief Executive Officer

Tan Chwee Choon
Executive Director

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

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

- 16 **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	987	6,013
General corporate and working capital purposes	3,552	1,222	2,330
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	7,257	8,343

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

BY ORDER OF THE BOARD

Lim See Wah
Chairman and Chief Executive Officer

11 May 2020



This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes 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.

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