



HYPHENS PHARMA INTERNATIONAL LIMITED

(Company Registration No. 201735688C)

(Incorporated in the Republic of Singapore)

Unaudited Financial Statements For the Third Quarter and Period Ended 30 September 2018

Hyphens Pharma International Limited (the “Company”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 18 May 2018. The initial public offering of the Company (the “IPO”) was sponsored by DBS Bank Ltd. (the “Sponsor” or “DBS Bank”).

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. 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 correctness of any statements or opinions made or reports contained in this announcement.

The contact persons for the Sponsor are Miss Heng Mui Mui, Managing Director, and Mr Kelvin Wong, Vice President, who can be contacted at 12 Marina Boulevard Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone +65 6878 8888.

Background

The Group comprising the Company and its subsidiaries (the “Group”) was formed pursuant to a restructuring exercise (the “Restructuring Exercise”) undertaken as part of a corporate reorganisation implemented for the purposes of the Company’s listing on Catalist on 18 May 2018. Please refer to the Company’s offer document dated 11 May 2018 (“Offer Document”) for further details on the Restructuring Exercise.

The Group is one of Singapore’s leading specialty pharmaceutical and consumer healthcare groups leveraging on its diverse footprint in ASEAN countries. The Group has a direct presence in five ASEAN countries, namely, Singapore, Vietnam, Malaysia, Indonesia and the Philippines, supplemented by a marketing and distribution network covering five additional jurisdictions, namely, Hong Kong, Myanmar, Brunei, Cambodia and Oman. Singapore is the Group’s regional headquarters, where its strategic planning, finance, regulatory affairs, research and development, legal, business development and logistics operations are based.

The Group’s core business comprises the following segments: specialty pharma principals, proprietary brands, and medical hypermart and digital. Besides marketing and selling a range of specialty pharmaceutical products in selected ASEAN countries through exclusive distributorship or licensing and supply agreements with brand principals mainly from Europe and the United States, the Group also develops, markets and sells its own proprietary range of dermatological products and health supplement products. The Group’s key proprietary products comprise dermocosmetic products marketed under its Ceradan® and TDF® brands. It also has a wide range of health supplement products marketed under its Ocean Health® brand. In addition, the Group operates a medical hypermart for healthcare professionals, healthcare institutions and retail pharmacies, to supply pharmaceutical products and medical supplies.

For the purpose of this announcement, the results of the Group for the third quarter ended 30 September 2018 (“3Q2018”) with the comparative results of the Group for the third quarter ended 30 September 2017 (“3Q2017”) and the nine-month period ended 30 September 2018 (“9M2018”) with the comparative results of the Group for the nine-month period ended 30 September 2017 (“9M2017”) have been prepared on the assumption that the group structure following the completion of the Restructuring Exercise has been in place since 1 January 2017.

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

	3Q2018	3Q2017	Change	9M2018	9M2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	29,448	28,828	2.2%	90,963	86,306	5.4%
Cost of sales	(19,949)	(20,205)	-1.3%	(60,754)	(58,645)	3.6%
Gross profit	9,499	8,623	10.2%	30,209	27,661	9.2%
Interest income	13	6	116.7%	18	8	125.0%
Other gains	47	24	95.8%	220	251	-12.4%
Marketing and distribution costs	(5,364)	(4,450)	20.5%	(16,095)	(14,742)	9.2%
Administrative expenses *	(2,466)	(1,992)	23.8%	(7,851)	(5,655)	38.8%
Finance costs	(35)	(41)	-14.6%	(109)	(169)	-35.5%
Other losses	(261)	(196)	33.2%	(575)	(794)	-27.6%
Profit before tax *	1,433	1,974	-27.4%	5,817	6,560	-11.3%
Income tax expense	(244)	(288)	-15.3%	(1,221)	(1,089)	12.1%
Profit, net of tax *	1,189	1,686	-29.5%	4,596	5,471	-16.0%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	16	43	-62.8%	119	131	-9.2%
Other comprehensive income for the year, net of tax:	16	43	-62.8%	119	131	-9.2%
Total comprehensive income	1,205	1,729	-30.3%	4,715	5,602	-15.8%

Note:

* Administrative expenses in 9M2018 and 9M2017 included one-off IPO expenses of S\$920k and S\$24k respectively. Excluding the IPO expenses: -

- (i) Profit before tax would have been S\$6,737k in 9M2018 (9M2017: S\$6,584), a 2.3% increase from 9M2017; and
- (ii) Profit after tax would have been S\$5,516k in 9M2018 (9M2017: S\$5,495), a 0.4% increase from 9M2017.

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:

	3Q2018	3Q2017	Change	9M2018	9M2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Government grants	(47)	(24)	95.8%	(220)	(184)	19.6%
Depreciation and amortisation	179	172	4.1%	540	536	0.7%
Allowance/ (reversal of allowance) for impairment of trade receivables	(2)	-	N.M.	1	(67)	N.M.
Allowance for inventories obsolescence	104	42	147.6%	227	190	19.5%
Inventories written off	48	52	-7.7%	84	132	-36.4%
Foreign exchange translation losses	112	101	10.9%	263	470	-44.0%
Loss on disposal of plant and equipment	-	-	-	-	1	N.M.
IPO expenses	-	24	N.M.	920	24	N.M.
R&D expenses	142	46	208.7%	421	118	256.8%

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	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	2,616	630	-	-
Intangible assets	8,850	9,105	-	-
Deferred tax assets	236	315	-	-
Investment in subsidiaries	-	-	19,220	-
Total non-current assets	11,702	10,050	19,220	-
<u>Current assets</u>				
Inventories	12,761	13,178	-	-
Trade and other receivables	28,466	23,775	3,248	-
Prepayments	168	245	13	-
Cash and cash equivalents	23,280	12,293	10,849	5
Total current assets	64,675	49,491	14,110	5
Total assets	76,377	59,541	33,330	5
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	32,555	1,521	32,555	5
Merger reserve ⁽ⁱ⁾	(15,165)	-	-	-
Retained earnings	20,773	17,191	267	-
Foreign currency translation reserve	237	118	-	-
Total equity	38,400	18,830	32,822	5
<u>Non-current liabilities</u>				
Deferred tax liabilities	508	560	-	-
Other financial liabilities, non-current	403	1,588	-	-
Total non-current liabilities	911	2,148	-	-
<u>Current liabilities</u>				
Income tax payable	1,306	1,092	-	-
Trade and other payables	34,056	35,101	508	-
Other financial liabilities, current	1,704	2,370	-	-
Total current liabilities	37,066	38,563	508	-
Total liabilities	37,977	40,711	508	-
Total equity and liabilities	76,377	59,541	33,330	5

Note:

- (i) The negative merger reserve relates 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

	30 Sep 2018		31 Dec 2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	1,704	-	1,549	821
Amount repayable after one year	403	-	1,588	-
	2,107	-	3,137	821

Details of any collaterals:

- (i) Term loan is secured by a charge over the shares of Ocean Health Pte. Ltd.
- (ii) Hire purchase facilities are secured by motor vehicles of Hyphens Pharma Philippines Inc.
- (iii) All banking facilities, except hire purchase facilities, are covered by corporate guarantees provided by Hyphens Pharma Pte. Ltd. or Pan-Malayan Pharmaceuticals Pte Ltd and the Company.

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**

	3Q2018	3Q2017	9M2018	9M2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Cash flows from operating activities</u>				
Profit before tax	1,433	1,974	5,817	6,560
Adjustments for:				
Amortisation of intangible assets	98	88	291	279
Depreciation of plant and equipment	81	84	249	257
Interest income	(13)	(6)	(18)	(8)
Interest expense	35	41	109	169
Loss on disposal of plant and equipment	-	-	-	1
Expenses in connection with IPO	-	24	920	24
Net effect of exchange rate changes in consolidating foreign operations	18	44	122	138
Operating cash flows before changes in working capital	1,652	2,249	7,490	7,420
Trade and other receivables	204	2,016	(4,691)	(4,632)
Prepayments	45	117	77	142
Inventories	2,141	(3,195)	417	(1,823)
Trade and other payables	(1,333)	4,169	1,955	5,976
Net cash flows from operations	2,709	5,356	5,248	7,083
Income taxes paid	(324)	(320)	(980)	(688)
Net cash flows from operating activities	2,385	5,036	4,268	6,395
<u>Cash flows from investing activities</u>				
Purchase of plant and equipment	(1,385)	(15)	(2,238)	(81)
Purchase of intangible assets	(16)	(3)	(36)	(23)
Interest received	13	6	18	8
Net cash flows used in investing activities	(1,388)	(12)	(2,256)	(96)
<u>Cash flows from financing activities</u>				
Gross proceeds from issuance of new shares pursuant to incorporation and IPO	-	-	15,605	-
IPO expenses paid	-	(24)	(1,670)	(24)
Dividends paid to equity owners	-	(1,000)	(3,000)	(1,000)
Interest paid	(35)	(41)	(109)	(169)
Repayment of borrowings	(3,692)	(2,585)	(2,276)	(3,713)
Proceeds from borrowings	-	-	425	-
Net cash flows (used in)/ from financing activities	(3,727)	(3,650)	8,975	(4,906)
Net (decrease)/ increase in cash and cash equivalents	(2,730)	1,374	10,987	1,393
Cash and cash equivalents at beginning of period	26,010	12,642	12,293	12,623
Cash and cash equivalents at ending of period	23,280	14,016	23,280	14,016

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	Merger reserve S\$'000	Retained earnings S\$'000	Foreign currency translation reserve S\$'000
Balance as at 1 January 2018 ⁽ⁱ⁾	18,830	1,521	-	17,191	118
Total comprehensive income for the period	4,715	-	-	4,596	119
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise	17,700	17,700	-	-	-
Share swap pursuant to the Restructuring Exercise	(17,700)	(1,521)	(15,165)	(1,014)	-
Issuance of new shares pursuant to incorporation and IPO	15,605	15,605	-	-	-
Capitalisation of IPO expense pursuant to issuance of new shares	(750)	(750)	-	-	-
Balance as at 30 September 2018	38,400	32,555	(15,165)	20,773	237

Group	Total equity S\$'000	Share capital S\$'000	Merger reserve S\$'000	Retained earnings S\$'000	Foreign currency translation reserve S\$'000
Balance as at 1 January 2017 ⁽ⁱ⁾	19,613	1,521	-	18,103	(11)
Total comprehensive income for the period	5,602	-	-	5,471	131
Balance as at 30 September 2017	25,215	1,521	-	23,574	120

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at date of incorporation, 12 December 2017 and 1 January 2018	5	5	-
Total comprehensive income for the period	(1,253)	-	(1,253)
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise	19,220	17,700	1,520
Issuance of new shares pursuant to IPO	15,600	15,600	-
Capitalisation of IPO expense pursuant to issuance of new shares	(750)	(750)	-
Balance as at 30 September 2018	32,822	32,555	267

⁽ⁱ⁾ The share capital, retained earnings and foreign currency translation reserve represent the share capital, retained earnings and foreign translation reserve of Hyphens Pharma Pte. Ltd. and its subsidiaries prior to the Restructuring Exercise.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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 30 June 2018.

The Company has no treasury shares or convertible instruments as at 30 September 2018 and 30 September 2017.

- 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 30 September 2018 and 31 December 2017.

The total number of issued shares, excluding treasury shares, as at 30 September 2018 was 300,000,000 (31 December 2017: 5,000).

- 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

- 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 combined financial statements for the financial year ended 31 December 2017.

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 2018. 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

	3Q2018	3Q2017	9M2018	9M2017
Earnings per share ("EPS")				
Profit attributable to owners of the Company (S\$'000)	1,189	1,686	4,596	5,471
On a basic and diluted basis (Singapore cents per share)	0.40	0.56	1.53	1.82

Note: For comparative purposes, the EPS for the respective financial periods have been computed based on the profit attributable to owners of the Company and share capital of 300,000,000 shares assuming that the Restructuring Exercise and the issuance of 60,000,000 new shares pursuant to the IPO had been completed as at 1 January 2017.

The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 September 2018 and 30 September 2017.

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	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Net asset value ("NAV") (S\$'000)	38,400	18,830	32,822	5
NAV per ordinary share (Singapore cents per share)	12.80	6.28	10.94	-

Note: For comparative purposes, the NAV per ordinary share for the respective financial periods have been computed based on the share capital of 300,000,000 shares assuming that the Restructuring Exercise and the issuance of 60,000,000 new shares pursuant to the IPO had been completed as at 1 January 2017.

- 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

3Q2018 compared to 3Q2017

	3Q2018	3Q2017	Change	9M2018	9M2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue						
Specialty pharma principals	15,946	15,673	1.7%	51,818	46,711	10.9%
Proprietary brands	3,315	3,407	-2.7%	10,078	9,724	3.6%
Medical hypermart and digital	10,187	9,748	4.5%	29,067	29,871	-2.7%
	<u>29,448</u>	<u>28,828</u>	<u>2.2%</u>	<u>90,963</u>	<u>86,306</u>	<u>5.4%</u>

Revenue

The Group's revenue for 3Q2018 increased by 2.2% or S\$0.6 million over 3Q2017 to S\$29.4 million notwithstanding that the business in Singapore was affected by a few days of closure in connection with the relocation of operations to the new integrated facility in September 2018.

The net increase was mainly due to (i) increase of 4.5% in medical hypermart and digital driven by higher demand for certain wholesale product range, (ii) increase of 1.7% in specialty pharma principals, partially set-off by (iii) decrease of 2.7% in proprietary brands due to weaker retail sales in Singapore.

Gross profit

Gross profit for 3Q2018 increased 10.2% or S\$0.9 million from 3Q2017 to S\$9.5 million. Gross profit margin for 3Q2018 increased 2.4% from 29.9% in 3Q2017 to 32.3% in 3Q2018. This was mainly due to increased contribution from the specialty pharma principals segment coupled with improved margin from the medical hypermart and digital segment.

Other gains

Other gains for 3Q2018 increased by 95.8% or S\$0.02 million from 3Q2017 to S\$0.04 million, mainly due to grants received under the Capability Development Grant.

Marketing and distribution costs

Marketing and distribution costs in 3Q2018 increased by 20.5% or S\$0.9 million to S\$5.4 million due to increased advertising and promotion expenses incurred primarily for the specialty pharma segment, coupled with increased personnel costs following annual salary adjustment and increase in headcount.

Administrative expenses

Administrative expenses increased by 23.8% or S\$0.5 million, from S\$2.0 million in 3Q2017 to S\$2.5 million in 3Q2018 mainly due to relocation costs, rental expenses for the new integrated facility, which was incurred concurrently with the leases at the previous premises (most of the leases ended in late October 2018), increase in administrative personnel to support the Group's operations and higher R&D expenses.

Consolidated Statement of Comprehensive Income (cont'd)**3Q2018 compared to 3Q2017 (cont'd)**Finance costs

Finance costs of S\$0.04 million for 3Q2018 were 14.6% or S\$0.01 million lower than 3Q2017 due to gradual repayment of term loan.

Other losses

Other losses in 3Q2018 increased by 33.2% or S\$0.07 million from 3Q2017 to S\$0.3 million, mainly due to provision for inventories obsolescence.

Profit before tax

Profit before tax decreased by 27.4% or S\$0.6 million from S\$2.0 million in 3Q2017 to S\$1.4 million in 3Q2018, as the increase in revenue was offset by higher operating expenses.

Income tax expense

Income tax expense decreased by 15.3% or S\$0.05 million from S\$0.29 million in 3Q2017 to S\$0.24 million in 3Q2018, as a result of lower profit recorded for the period.

Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 29.5% or S\$0.5 million, from S\$1.7 million in 3Q2017 to S\$1.2 million in 3Q2018.

9M2018 compared to 9M2017Revenue

The Group's revenue for 9M2018 increased by 5.4% or S\$4.7 million over 9M2017 to S\$91.0 million. The increase was mainly due to (i) increase of 10.9% in sales from specialty pharma principals segment following higher demand for radiology and musculoskeletal products and (ii) improved sales in the proprietary brands segment by 3.6%, mainly from dermocosmetic products.

Gross profit

Gross profit for 9M2018 increased by 9.2% or S\$2.5 million from 9M2017 to S\$30.2 million. Gross profit margin increased 1.2% from 32.0% in 9M2017 to 33.2% in 9M2018. This was mainly due to increased contribution from specialty pharma principals and proprietary brands segments which have higher margins compared to medical hypermart and digital segment.

Other gains

Other gains in 9M2018 was S\$0.22 million, a decline of 12.4% or S\$0.03 million from 9M2017 mainly due to absence of reversal of allowance for impairment of trade receivables, partially offset by an increase in government grants.

Marketing and distribution costs

Marketing and distribution costs in 9M2018 increased by 9.2% or S\$1.4 million to S\$16.1 million, due to increased personnel costs following an increase in headcount and higher advertising and promotional expenses and freight costs incurred, which rose in tandem with higher revenue derived from overseas markets.

Consolidated Statement of Comprehensive Income (cont'd)**9M2018 compared to 9M2017 (cont'd)****Administrative expenses**

Administrative expenses increased by 38.8% or S\$2.2 million, from S\$5.7 million in 9M2017 to S\$7.9 million in 9M2018 mainly due to one-off IPO expenses of S\$0.9 million. Excluding the impact of the one-off IPO expenses, administrative expenses increased by 22.8% or S\$1.3 million compared to 9M2017. The increase was attributed to an increase in administrative personnel to support the Group's operations, higher R&D expenses, relocation costs and rental expense for the new integrated facility, which was incurred concurrently with the leases at the previous premises. Most of the leases for the previous premises ended in late October 2018.

Finance costs

Finance costs of S\$0.1 million for 9M2018 were 35.5% or S\$0.06 million lower than 9M2017 due to gradual repayment of term loan.

Other losses

Other losses in 9M2018 decreased by 27.6% or S\$0.2 million to S\$0.6 million due to reduced foreign exchange losses following strengthening of USD and EUR against SGD over the corresponding period and reduced inventories written off, partially offset by higher inventories obsolescence provision.

Profit before tax

Profit before tax decreased by 11.3% or S\$0.8 million from S\$6.6 million in 9M2017 to S\$5.8 million in 9M2018. Excluding impact of the one-off IPO expenses, profit before tax for 9M2018 would have been S\$6.7 million, an increase of 2.3% or S\$0.1 million compared to 9M2017.

Income tax expense

Income tax expense increased by 12.1% or S\$0.1 million, from S\$1.1 million in 9M2017 to S\$1.2 million in 9M2018, mainly due to non-tax-deductibility of IPO expenses.

Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 16.0% or S\$0.9 million, from S\$5.5 million in 9M2017 to S\$4.6 million in 9M2018. Excluding the one-off IPO expenses of approximately S\$0.9 million, the Group recorded a net profit after tax of S\$5.5 million in 9M2018, a 0.4% or S\$0.02 million increase compared to 9M2017.

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 September 2018 and 31 December 2017.

Non-current assets

The Group's non-current assets increased by S\$1.6 million from S\$10.1 million as at 31 December 2017 to S\$11.7 million as at 30 September 2018 primarily due to progress payments made for the setting up of the new integrated facility of approximately S\$2.2 million, partially offset by depreciation of plant and equipment and amortisation of intangible assets.

Consolidated Statements of Financial Position (cont'd)

Current assets

The Group's current assets increased by S\$15.2 million from S\$49.5 million as at 31 December 2017 to S\$64.7 million as at 30 September 2018 mainly due to an increase in cash and cash equivalents and trade and other receivables of S\$11.0 million and S\$4.7 million respectively, partially offset by decrease in inventories of S\$0.4m.

The increase in cash and cash equivalents was mainly due to net proceeds from issuance of new shares pursuant to the IPO of S\$13.6 million, partially offset by the payment of the interim dividend amounting to an aggregate of S\$3.0 million declared on 26 December 2017 by Hyphens Pharma Pte Ltd, our wholly owned subsidiary, paid to the then existing shareholders.

The increase in trade and other receivables was mainly due to increase in trade receivables from Vietnam distributors, in tandem with the increased sales to the Vietnam market, and rental deposit of S\$0.4 million paid for the new integrated facility.

Non-current liabilities

The Group's non-current liabilities decreased by S\$1.2 million from S\$2.1 million as at 31 December 2017 to S\$0.9 million as at 30 September 2018 primarily due to decrease in other financial liabilities of S\$1.2 million following repayment of loans.

Current liabilities

The Group's current liabilities decreased by S\$1.5 million from S\$38.6 million as at 31 December 2017 to S\$37.1 million as at 30 September 2018. This was mainly attributable to (i) decrease of S\$1.0 million in trade and other payables, (ii) repayment of S\$0.7 million loans, partially offset by (iii) increase of S\$0.2 million in income tax payable.

Consolidated Statements of Cash Flows

3Q2018 compared to 3Q2017

The Group generated net cash of S\$2.4 million from operating activities in 3Q2018, mainly due to operating cash flows before changes in the working capital of S\$1.7 million and net working capital inflows of S\$1.0 million, offset by income taxes paid of S\$0.3 million.

The net working capital inflows were due to (i) decrease in trade and other receivables of S\$0.2 million and (ii) decrease in inventories of S\$2.1 million, partially offset by (iii) decrease in trade and other payables of S\$1.3 million.

Net cash flows used in investing activities during 3Q2018 amounted to S\$1.4 million, mainly attributable to progress payments made for the setting up of the new integrated facility.

Net cash flows used in financing activities amounted to S\$3.7 million during 3Q2018, mainly due to repayment of bank borrowings.

9M2018 compared to 9M2017

The Group generated net cash of S\$4.3 million from operating activities in 9M2018, mainly due to operating cash flows before changes in the working capital of S\$7.5 million, partially offset by net working capital outflows of S\$2.2 million and income taxes paid of S\$1.0 million.

The net working capital outflows were due to (i) increase in trade and other receivables by S\$4.7 million, partially offset by (ii) decrease in inventories by S\$0.4 million and (iii) increase in trade and other payables by S\$2.0 million.

Consolidated Statements of Cash Flows (cont'd)

9M2018 compared to 9M2017 (cont'd)

Net cash flows used in investing activities during 9M2018 amounted to S\$2.3 million, mainly attributable to progress payments made for the setting up of the new integrated facility.

Net cash flows generated from financing activities amounted to S\$9.0 million during 9M2018, mainly due to IPO proceeds of S\$15.6 million and proceeds from bank borrowings of S\$0.4 million, partially offset by (i) partial payment of FY2017 dividends of S\$3.0 million; (ii) repayment of bank borrowings amounting to S\$2.3 million; and (iii) IPO expenses of S\$1.7 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

As at the date of this Announcement, the Board of Directors is not aware of any significant change in trends that will significantly affect the Group's overall operations and businesses.

The Group remains focused on further cementing our leadership position in Singapore and deepening our presence in ASEAN. We have moved into our new integrated facility at the end September 2018, providing us a more conducive operating environment and greater productivity with the integration of all business units under the same roof. We are preparing to launch a few new proprietary brands products in 4Q2018 and continue to work on our growth strategies such as expanding and strengthening our product range, appointing distributors in new territories and seeking strategic collaboration opportunities.

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

No dividend has been declared or recommended for the period under review.

- 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 3Q2018 and 9M2018 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	-	7,000
Setting up of our integrated facility	3,000	2,507	493
General corporate and working capital purposes	3,552	310	3,242
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	-
Gross proceeds from the Invitation	15,600	4,865	10,735

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

13 November 2018