



HYPHENS PHARMA INTERNATIONAL LIMITED

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

Unaudited Financial Statements For the Financial Year Ended 31 December 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 and the Sponsor assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any statements or opinions made or reports contained in this announcement.

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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 six additional jurisdictions, namely, Hong Kong, Myanmar, Brunei, Cambodia, Oman and Bangladesh. 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 dermatological 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 fourth quarter ended 31 December 2018 (“4Q2018”) with the comparative results of the Group for the fourth quarter ended 31 December 2017 (“4Q2017”) and the twelve-month period ended 31 December 2018 (“FY2018”) with the comparative results of the Group for the twelve-month period ended 31 December 2017 (“FY2017”) 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

	4Q2018	4Q2017	Change	FY2018	FY2017*	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	29,967	26,575	12.8%	120,930	112,652	7.3%
Cost of sales	(19,371)	(17,039)	13.7%	(80,125)	(75,684)	5.9%
Gross profit	10,596	9,536	11.1%	40,805	36,968	10.4%
Interest income	36	1	N.M.	54	9	N.M.
Other gains	5	8	-37.5%	225	259	-13.1%
Marketing and distribution costs	(5,641)	(5,889)	-4.2%	(21,736)	(20,402)	6.5%
Administrative expenses	(2,571)	(2,817)	-8.7%	(10,422)	(8,472)	23.0%
Finance costs	(20)	(37)	-45.9%	(129)	(206)	-37.4%
Other losses	(1,222)	(202)	N.M.	(1,797)	(996)	80.4%
Profit before tax	1,183	600	97.2%	7,000	7,160	-2.2%
Income tax expense	(369)	17	N.M.	(1,590)	(1,072)	48.3%
Profit, net of tax	814	617	31.9%	5,410	6,088	-11.1%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	(52)	(2)	N.M.	67	129	-48.1%
Other comprehensive income for the period/ year, net of tax:	(52)	(2)	N.M.	67	129	-48.1%
Total comprehensive income	762	615	23.9%	5,477	6,217	-11.9%

Note:

* FY2017 has been restated to take into account SFRS(I) 15 which is effective from 1 January 2018.

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:

	4Q2018	4Q2017	Change	FY2018	FY2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Government grants	(5)	(31)	-83.9%	(225)	(215)	4.7%
Depreciation and amortisation	290	211	37.4%	830	747	11.1%
Allowance/ (reversal of allowance) for impairment of trade receivables	-	23	N.M.	1	(44)	N.M.
Bad debts written off	1	-	N.M.	1	-	N.M.
Allowance for inventories obsolescence	170	77	120.8%	397	267	48.7%
Inventories written off	27	47	-42.6%	111	179	-38.0%
Impairment loss on goodwill	993	-	N.M.	993	-	N.M.
Foreign exchange translation losses	(29)	78	N.M.	234	548	-57.3%
Loss on disposal of plant and equipment	60	1	N.M.	60	2	N.M.
IPO expenses	-	286	N.M.	920	310	196.8%
R&D expenses	194	56	246.4%	615	174	253.4%

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 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	3,464	630	197	-
Intangible assets	7,764	9,105	-	-
Deferred tax assets	210	315	-	-
Investment in subsidiaries	-	-	19,220	-
Total non-current assets	11,438	10,050	19,417	-
<u>Current assets</u>				
Inventories	10,863	13,178	-	-
Trade and other receivables	29,833	23,775	6,759	-
Prepayments	492	245	41	-
Cash and cash equivalents	22,353	12,293	10,980	5
Total current assets	63,541	49,491	17,780	5
Total assets	74,979	59,541	37,197	5
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	32,555	1,521	32,555	5
Merger reserve ⁽ⁱ⁾	(15,165)	-	-	-
Retained earnings	21,587	17,191	3,768	-
Foreign currency translation reserve	185	118	-	-
Total equity	39,162	18,830	36,323	5
<u>Non-current liabilities</u>				
Deferred tax liabilities	502	560	-	-
Other financial liabilities, non-current	-	1,588	-	-
Total non-current liabilities	502	2,148	-	-
<u>Current liabilities</u>				
Income tax payable	1,480	1,092	8	-
Trade and other payables	30,835	35,101	866	-
Other financial liabilities, current	3,000	2,370	-	-
Total current liabilities	35,315	38,563	874	-
Total liabilities	35,817	40,711	874	-
Total equity and liabilities	74,979	59,541	37,197	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

	31 Dec 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	-	3,000	1,549	821
Amount repayable after one year	-	-	1,588	-
	-	3,000	3,137	821

Details of any collaterals:

All banking facilities are covered by corporate guarantees 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**

	4Q2018	4Q2017	FY2018	FY2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Cash flows from operating activities</u>				
Profit before tax	1,183	600	7,000	7,160
Adjustments for:				
Amortisation of intangible assets	100	62	391	341
Depreciation of plant and equipment	190	149	439	406
Interest income	(36)	(1)	(54)	(9)
Interest expense	20	37	129	206
Loss on disposal of plant and equipment	60	1	60	2
Impairment loss on goodwill	993	-	993	-
Expenses in connection with IPO	-	286	920	310
Net effect of exchange rate changes in consolidating foreign operations	(54)	(3)	68	135
Operating cash flows before changes in working capital	2,456	1,131	9,946	8,551
Trade and other receivables	(1,367)	1,026	(6,058)	(3,606)
Prepayments	(324)	(140)	(247)	2
Inventories	1,898	(2,320)	2,315	(4,143)
Trade and other payables	780	(1,479)	2,735	4,497
Net cash flows from/ (used in) operations	3,443	(1,782)	8,691	5,301
Income taxes (paid)/ refunded	(174)	5	(1,154)	(683)
Net cash flows from/ (used in) operating activities	3,269	(1,777)	7,537	4,618
<u>Cash flows from investing activities</u>				
Purchase of plant and equipment	(1,096)	(49)	(3,334)	(130)
Purchase of intangible assets	(8)	(18)	(44)	(41)
Interest received	36	1	54	9
Net cash flows used in investing activities	(1,068)	(66)	(3,324)	(162)
<u>Cash flows from financing activities</u>				
Gross proceeds from issuance of new shares pursuant to incorporation and IPO	-	-	15,605	-
IPO expenses paid	-	(286)	(1,670)	(310)
Dividends paid to equity owners	(4,000)	-	(7,000)	(1,000)
Interest paid	(20)	(37)	(129)	(206)
Repayment of borrowings	(2,108)	(379)	(4,384)	(4,092)
Proceeds from borrowings	3,000	822	3,425	822
Net cash flows (used in)/ from financing activities	(3,128)	120	5,847	(4,786)
Net (decrease)/ increase in cash and cash equivalents	(927)	(1,723)	10,060	(330)
Cash and cash equivalents at beginning of period/ year	23,280	14,016	12,293	12,623
Cash and cash equivalents at ending of period/ year	22,353	12,293	22,353	12,293

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 year	5,477	-	-	5,410	67
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 31 December 2018	39,162	32,555	(15,165)	21,587	185

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 year	6,217	-	-	6,088	129
Dividends paid	(7,000)	-	-	(7,000)	-
Balance as at 31 December 2017	18,830	1,521	-	17,191	118

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 year	2,248	-	2,248
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 31 December 2018	36,323	32,555	3,768

⁽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 September 2018.

The Company has no treasury shares or convertible instruments as at 31 December 2018 and 31 December 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 31 December 2018 and 31 December 2017.

The total number of issued shares, excluding treasury shares, as at 31 December 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, except for certain reclassification made in statement of profit or loss which has no effect to the consolidated profit.

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

	4Q2018	4Q2017	FY2018	FY2017
Earnings per share ("EPS")				
Profit attributable to owners of the Company (S\$'000)	814	617	5,410	6,088
On a basic and diluted basis (Singapore cents per share)	0.27	0.21	1.80	2.03

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 31 December 2018 and 31 December 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	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Net asset value ("NAV") (S\$'000)	39,162	18,830	36,323	5
NAV per ordinary share (Singapore cents per share)	13.05	6.28	12.11	-

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

4Q2018 compared to 4Q2017

	4Q2018	4Q2017	Change	FY2018	FY2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue						
Specialty pharma principals	17,591	13,996	25.7%	69,409	60,707	14.3%
Proprietary brands	3,089	2,886	7.0%	13,167	12,381	6.3%
Medical hypermart and digital	9,287	9,693	-4.2%	38,354	39,564	-3.1%
	<u>29,967</u>	<u>26,575</u>	12.8%	<u>120,930</u>	<u>112,652</u>	7.3%

Revenue

The Group's revenue for 4Q2018 increased by 12.8% or S\$3.4 million over 4Q2017 to S\$30.0 million.

The increase was mainly due to (i) increase of 25.7% in the specialty pharma principals segment driven by higher demand for coronary stents and radiology products, (ii) increase of 7.0% in the proprietary brands segment due to higher sales in dermatological products, and partially set-off by (iii) reduced sales of 4.2% in the medical hypermart and digital segment.

Gross profit

Gross profit for 4Q2018 increased by 11.1% or S\$1.1 million from 4Q2017 to S\$10.6 million. This was mainly due to increased contribution from the specialty pharma principals segment.

Gross profit margin for 4Q2018 remained comparable with 4Q2017 at 35.4% (4Q2017: 35.9%).

Other gains

Other gains for 4Q2018 remained marginal at S\$5k (4Q2017: S\$8k).

Marketing and distribution costs

Marketing and distribution costs in 4Q2018 reduced by 4.2% or S\$0.3 million from S\$5.9 million to S\$5.6 million due to reduced personnel costs with lower commissions paid and reduced advertising and promotion expenses.

Administrative expenses

Administrative expenses decreased by 8.7% or S\$0.2 million, from S\$2.8 million in 4Q2017 to S\$2.6 million in 4Q2018. Excluding the impact of one-off IPO expenses incurred in 4Q2017, administrative expenses in 4Q2018 remained comparable at S\$2.57 million (4Q2017: S\$2.53 million) with slight increase of 1.6% or S\$0.04 million due to higher R&D costs, partially offset by lower directors' remuneration.

Consolidated Statement of Comprehensive Income (cont'd)**4Q2018 compared to 4Q2017 (cont'd)**Finance costs

Finance costs of S\$0.02 million for 4Q2018 were 45.9% or S\$0.02 million lower than 4Q2017 due to gradual repayment of term loan and absence of trust receipts financing.

Other losses

Other losses in 4Q2018 increased by 505.5% or S\$1.0 million from 4Q2017 to S\$1.2 million, mainly due to provision for inventories obsolescence, coupled with an impairment loss on goodwill in consideration of reduced sales growth in the acquired proprietary brands due to weaker retail sales in Singapore.

Profit before tax

Profit before tax increased by 97.2% or S\$0.6 million from S\$0.6 million in 4Q2017 to S\$1.2 million in 4Q2018. Excluding the impact of one-off IPO expenses incurred in 4Q2017, profit before tax for 4Q2017 would have been S\$0.9 million, and profit before tax in 4Q2018 would have increased 33.5% or S\$0.3 million over 4Q2017.

Income tax expense

Income tax expense for 4Q2018 was S\$0.4 million higher than 4Q2017, as a result of improved profits for the period.

Profit after tax

As a result of the foregoing, the Group's net profit after tax increased by 31.9% or S\$0.2 million, from S\$0.6 million in 4Q2017 to S\$0.8 million in 4Q2018. Excluding the impact of one-off IPO expenses incurred in 4Q2017, profit after tax for 4Q2017 would have been S\$0.9 million and profit after tax in 4Q2018 would have decreased 9.9% or S\$0.1 million over 4Q2017, due to non-tax-deductibility of impairment losses in 4Q2018.

FY2018 compared to FY2017Revenue

The Group's revenue for FY2018 increased by 7.3% or S\$8.3 million over FY2017 to S\$120.9 million. The increase was mainly due to (i) increase of 14.3% in sales from the specialty pharma principals segment following higher demand for allergy, radiology and musculoskeletal products and (ii) improved sales in the proprietary brands segment by 6.3%, mainly from dermatological products.

Gross profit

Gross profit for FY2018 increased by 10.4% or S\$3.8 million from FY2017 to S\$40.8 million. Gross profit margin increased 0.9% from 32.8% in FY2017 to 33.7% in FY2018. This was mainly due to increased contribution from the specialty pharma principals and proprietary brands segments which have higher margins compared to the medical hypermart and digital segment.

Other gains

Other gains in FY2018 was S\$0.23 million, a decline of 13.1% or S\$0.03 million from FY2017 mainly due to absence of reversal of allowance for impairment of trade receivables, partially offset by an increase in government grants.

Consolidated Statement of Comprehensive Income (cont'd)**FY2018 compared to FY2017 (cont'd)****Marketing and distribution costs**

Marketing and distribution costs in FY2018 increased by 6.5% or S\$1.3 million to S\$21.7 million, due to increased personnel costs following an increase in headcount, higher advertising and promotional expenses and freight costs incurred, which rose in tandem with higher revenue derived from overseas markets.

Administrative expenses

Administrative expenses increased by 23.0% or S\$1.9 million, from S\$8.5 million in FY2017 to S\$10.4 million in FY2018 mainly due to one-off IPO expenses of S\$0.9 million (FY2017: S\$0.3 million). Excluding the impact of one-off IPO expenses, administrative expenses increased by 16.4% or S\$1.3 million compared to FY2017. The increase was attributed to an increase in administrative personnel to support the Group's operations, higher R&D expenses, relocation costs and 5 months of rental expenses for the new integrated facility, which were 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 FY2018 were 37.4% or S\$0.08 million lower than FY2017 due to gradual repayment of term loan.

Other losses

Other losses in FY2018 increased by 80.4% or S\$0.8 million to S\$1.8 million was mainly due to impairment loss on goodwill in consideration of reduced rate of sales growth in the acquired proprietary brands due to weaker retail sales in Singapore.

Profit before tax

Profit before tax decreased by 2.2% or S\$0.2 million from S\$7.2 million in FY2017 to S\$7.0 million in FY2018. Excluding the impact of one-off IPO expenses of approximately S\$0.9 million and impairment loss on goodwill of approximately S\$1.0m in FY2018 (FY2017: S\$0.3 million and \$nil respectively), the Group would have recorded a net profit before tax of S\$8.9 million in FY2018 (FY2017: S\$7.5 million).

Income tax expense

Income tax expense increased by 48.3% or S\$0.5 million, from S\$1.1 million in FY2017 to S\$1.6 million in FY2018, mainly due to the non-tax-deductibility of IPO expenses and impairment losses.

Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 11.1% or S\$0.7 million, from S\$6.1 million in FY2017 to S\$5.4 million in FY2018. Excluding the impact of one-off IPO expenses of approximately S\$0.9 million and impairment loss on goodwill of approximately S\$1.0m in FY2018 (FY2017: S\$0.3 million and \$nil respectively), the Group would have recorded a net profit after tax of S\$7.3 million in FY2018 (FY2017: S\$6.4 million).

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 December 2018 and 31 December 2017.

Non-current assets

The Group's non-current assets increased by S\$1.3 million from S\$10.1 million as at 31 December 2017 to S\$11.4 million as at 31 December 2018 primarily due to capital expenditure incurred in the setting up of the new integrated facility of approximately S\$3.1 million, partially offset by depreciation of plant and equipment and amortisation cum impairment of intangible assets.

Current assets

The Group's current assets increased by S\$14.0 million from S\$49.5 million as at 31 December 2017 to S\$63.5 million as at 31 December 2018 mainly due to an increase in cash and cash equivalents and trade and other receivables of S\$10.1 million and S\$6.1 million respectively, partially offset by decrease in inventories of S\$2.3 million.

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\$7.0 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\$1.6 million from S\$2.1 million as at 31 December 2017 to S\$0.5 million as at 31 December 2018 primarily due to decrease in other financial liabilities of S\$1.6 million following repayment of loans.

Current liabilities

The Group's current liabilities decreased by S\$3.3 million from S\$38.6 million as at 31 December 2017 to S\$35.3 million as at 31 December 2018. This was mainly attributable to (i) decrease of S\$4.3 million in trade and other payables, partially offset by (ii) higher net bank borrowings of S\$0.6 million and (iii) increase of S\$0.4 million in income tax payable.

Consolidated Statements of Cash Flows

4Q2018 compared to 4Q2017

The Group generated net cash of S\$3.3 million from operating activities in 4Q2018, mainly due to operating cash flows before changes in the working capital of S\$2.5 million and net working capital inflows of S\$1.0 million, offset by income taxes paid of S\$0.2 million.

The net working capital inflows were due to (i) decrease in inventories of S\$1.9 million, (ii) increase in trade and other payables of S\$0.8 million, partially offset by (iii) increase in trade and other receivables of S\$1.4 million.

Net cash flows used in investing activities during 4Q2018 amounted to S\$1.1 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\$3.1 million during 4Q2018, mainly due to (i) balance payment of FY2017 dividends of S\$4.0 million and partially offset by (ii) net bank proceeds amounting to S\$0.9 million as part of loan re-financing.

Consolidated Statements of Cash Flows (cont'd)

FY2018 compared to FY2017

The Group generated net cash of S\$7.5 million from operating activities in FY2018, mainly due to operating cash flows before changes in the working capital of S\$9.9 million, partially offset by net working capital outflows of S\$1.3 million and income taxes paid of S\$1.2 million.

The net working capital outflows were due to (i) increase in trade and other receivables by S\$6.1 million, partially offset by (ii) decrease in inventories by S\$2.3 million and (iii) increase in trade and other payables by S\$2.7 million.

Net cash flows used in investing activities during FY2018 amounted to S\$3.3 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\$5.8 million during FY2018, mainly due to IPO proceeds of S\$15.6 million and proceeds from bank borrowings of S\$3.4 million, partially offset by (i) payment of FY2017 dividends of S\$7.0 million, (ii) repayment of bank borrowings amounting to S\$4.4 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.

Hyphens Pharma remains focused on further cementing its leadership position in Singapore and deepening its presence in ASEAN. With its established footprint, the Group expects its business momentum to continue. Following the launches of new dermatological products in 2018, more launches are planned for this year, including products with patented or patent pending technologies, and thus the skin health business is anticipated to grow.

The Group will continue to enhance its product offerings through licencing and research collaborations and plans to strengthen its manpower capital to support its expansion plans towards establishing an international footprint and enhancing its marketing development in countries that it is currently operating in. In addition, the Group will continue to explore further potential opportunities within the digital business segment.

11 Dividend

(a) Dividend proposed for the current financial period

	FY 2018
Name of Dividend	Final Dividend Exempt (1-tier)
Type of Dividend	Cash
Total number of issued ordinary shares ('000)	300,000
Dividend per share	0.55 cents

The final dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company ("AGM").

- (b) **Corresponding Period of the Immediately Preceding Financial Year:** Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividend has been declared for FY2017.

- (c) **Date payable**

To be announced later.

- (d) **Books closure date**

To be announced later.

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

Please refer to 11(a) above.

- 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 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	3,000	-
General corporate and working capital purposes	3,552	544	3,008
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	-
Gross proceeds from the Invitation	15,600	5,592	10,008

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

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

15A Business segments revenue and results

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	FY2018 S\$'000	FY2017 S\$'000	FY2018 S\$'000	FY2017 S\$'000	FY2018 S\$'000	FY2017 S\$'000	FY2018 S\$'000	FY2017 S\$'000	FY2018 S\$'000	FY2017 S\$'000
Revenue by segment										
Total revenue by segment	69,409	60,707	13,167	12,381	38,354	39,564	-	-	120,930	112,652
Total revenue	69,409	60,707	13,167	12,381	38,354	39,564	-	-	120,930	112,652
Recurring EBITDA	7,197	5,157	925	1,392	1,921	1,874	(1,091)	(310)	8,952	8,113
Finance costs	-	-	-	-	-	-	(129)	(206)	(129)	(206)
Impairment of goodwill	-	-	(993)	-	-	-	-	-	(993)	-
Depreciation and amortisation	(30)	(40)	(362)	(366)	-	-	(438)	(341)	(830)	(747)
Profit before tax	7,167	5,117	(430)	1,026	1,921	1,874	(1,658)	(857)	7,000	7,160
Income tax expense									(1,590)	(1,072)
Profit after tax									5,410	6,088
Other expenses										
Impairment of trade receivables and inventories	397	(44)	89	296	24	150	-	-	510	402

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

15B Geographical information

	Revenue	
	FY2018 S\$'000	FY2017 S\$'000
Singapore	53,861	54,770
Vietnam	52,717	46,859
Malaysia	7,677	5,290
Others	6,675	5,733
Total	120,930	112,652

16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to section 8 of this announcement for the review of the performance of the Group.

17 Breakdown of sales

	FY2018 S\$'000	Group FY2017 S\$'000	Change %
17(a) Gross revenue reported for first half year	61,515	57,298	7.4%
17(b) Net profit after tax for first half year	3,407	3,785	-10.0%
17(c) Gross revenue reported for second half year	59,415	55,354	7.3%
17(d) Net profit after tax for second half year	2,003	2,303	-13.0%

18 Breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Annual dividend	FY2018 S\$'000	FY2017 S\$'000
Ordinary dividend – Final *	1,650	-

* The final dividend is subject to shareholders' approval at the AGM.

19 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 Catalyst 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 Catalyst Listing Manual.

- 20 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(10) of the Catalist Rules, the Company confirms that during FY2018 and up to the date hereof, there has not been any person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Lim See Wah
Chairman and Chief Executive Officer

28 February 2019