

**HYPHENS PHARMA INTERNATIONAL LIMITED**

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

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**Unaudited Financial Statements**  
**For the First Quarter Ended 31 March 2019**


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**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**

	1Q2019	1Q2018*	Change
	S\$'000	S\$'000	%
<b>Revenue</b>	27,004	30,628	-11.8%
Cost of sales	(17,529)	(21,025)	-16.6%
<b>Gross profit</b>	9,475	9,603	-1.3%
Other income and gains	123	132	-6.8%
Distribution costs	(5,162)	(5,145)	0.3%
Administrative expenses	(2,527)	(2,098)	20.4%
Finance costs	(42)	(34)	23.5%
Other losses	(192)	(226)	-15.0%
<b>Profit before tax</b>	1,675	2,232	-25.0%
Income tax expense	(246)	(438)	-43.8%
<b>Profit, net of tax</b>	1,429	1,794	-20.3%
<b><u>Other comprehensive income:</u></b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations, net of tax	27	143	-81.1%
<b>Other comprehensive income for the period, net of tax:</b>	27	143	-81.1%
<b>Total comprehensive income</b>	1,456	1,937	-24.8%

Note: N.M. – Not meaningful

**Note:**

- \* 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.

For the purpose of this announcement, the results of the Group for the first quarter ended 31 March 2019 (“1Q2019”) with the comparative results of the Group for the first quarter ended 31 March 2018 (“1Q2018”) have been prepared on the assumption that the group structure following the completion of the Restructuring Exercise has been in place since 1 January 2018.

**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:

	1Q2019 S\$'000	1Q2018 S\$'000	Change %
Interest income	(23)	(1)	N.M.
Government grants	(100)	(131)	-23.7%
Depreciation and amortisation	492	182	170.3%
Reversal of allowance for impairment of trade receivables	-	(1)	N.M.
(Reversal of allowance)/allowance for inventories obsolescence	(54)	33	N.M.
Inventories written off	40	26	53.8%
Foreign exchange translation losses	205	168	22.0%
(Over)/underprovision of tax in respect of prior years	(52)	34	N.M.
Loss on disposal of plant and equipment	1	-	N.M.
R&D expenses	54	71	-23.9%

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 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Plant and equipment	7,235	3,464	187	197
Intangible assets	7,669	7,764	-	-
Deferred tax assets	184	210	-	-
Investment in subsidiaries	-	-	19,220	19,220
<b>Total non-current assets</b>	<b>15,088</b>	<b>11,438</b>	<b>19,407</b>	<b>19,417</b>
<b><u>Current assets</u></b>				
Inventories	9,952	10,863	-	-
Trade and other receivables	27,446	29,833	8,012	6,759
Prepayments	168	492	31	41
Cash and cash equivalents	22,143	22,353	9,355	10,980
<b>Total current assets</b>	<b>59,709</b>	<b>63,541</b>	<b>17,398</b>	<b>17,780</b>
<b>Total assets</b>	<b>74,797</b>	<b>74,979</b>	<b>36,805</b>	<b>37,197</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share capital	32,555	32,555	32,555	32,555
Retained earnings	23,016	21,587	3,686	3,768
Other reserves <sup>(i)</sup>	(14,953)	(14,980)	-	-
<b>Total equity</b>	<b>40,618</b>	<b>39,162</b>	<b>36,241</b>	<b>36,323</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	487	502	-	-
Lease liabilities, non-current	2,900	-	-	-
<b>Total non-current liabilities</b>	<b>3,387</b>	<b>502</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Income tax payable	1,420	1,480	-	8
Trade and other payables	27,545	30,835	564	866
Lease liabilities, current	827	-	-	-
Other financial liabilities, current	1,000	3,000	-	-
<b>Total current liabilities</b>	<b>30,792</b>	<b>35,315</b>	<b>564</b>	<b>874</b>
<b>Total liabilities</b>	<b>34,179</b>	<b>35,817</b>	<b>564</b>	<b>874</b>
<b>Total equity and liabilities</b>	<b>74,797</b>	<b>74,979</b>	<b>36,805</b>	<b>37,197</b>

**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 2019		31 Dec 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	-	1,000	-	3,000
Amount repayable after one year	-	-	-	-
	-	1,000	-	3,000

**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**

	1Q2019	1Q2018
	S\$'000	S\$'000
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	1,675	2,232
Adjustments for:		
Amortisation of intangible assets	98	97
Depreciation of plant and equipment	394	85
Interest income	(23)	(1)
Interest expense	42	34
Loss on disposal of plant and equipment	1	-
Net effect of exchange rate changes in consolidating foreign operations	27	146
Operating cash flows before changes in working capital	2,214	2,593
Trade and other receivables	2,387	(5,729)
Prepayments	324	53
Inventories	911	(1,601)
Trade and other payables	(3,248)	3,540
Net cash flows from/ (used in) operations	2,588	(1,144)
Income taxes paid	(295)	(289)
Net cash flows from/ (used in) operating activities	2,293	(1,433)
<b><u>Cash flows from investing activities</u></b>		
Purchase of plant and equipment	(307)	(59)
Purchase of intangible assets	(3)	(14)
Interest received	23	1
Net cash flows used in investing activities	(287)	(72)
<b><u>Cash flows from financing activities</u></b>		
Payment of lease liabilities	(204)	-
Interest paid	(12)	(34)
Net decrease in other financial liabilities	(2,000)	(1,204)
Net cash flows used in financing activities	(2,216)	(1,238)
Net decrease in cash and cash equivalents	(210)	(2,743)
Cash and cash equivalents at beginning of period	22,353	12,293
Cash and cash equivalents at ending of period	22,143	9,550

- 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 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)

Group	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000
Balance as at 1 January 2018 <sup>(i)</sup>	18,830	1,521	17,191	118
Total comprehensive loss for the period	1,937	-	1,794	143
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise <sup>(ii)</sup>	17,700	17,700	-	-
Share swap pursuant to the Restructuring Exercise	(17,700)	(1,521)	(1,014)	(15,165)
Balance as at 31 March 2018	20,767	17,700	17,971	(14,904)

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

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at 1 January 2018	5	5	-
Total comprehensive income for the period	(6)	-	(6)
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise <sup>(ii)</sup>	19,220	17,700	1,520
Balance as at 31 March 2018	19,219	17,705	1,514

- (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.
- (ii) On the assumption that shares issued pursuant to the Restructuring Exercise had been completed as at 1 January 2018.

- 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 31 December 2018.

The Company has no treasury shares or convertible instruments as at 31 March 2019 and 31 March 2018.

- 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 2019 and 31 December 2018.

The total number of issued shares, excluding treasury shares, as at 31 March 2019 was 300,000,000 (31 December 2018: 300,000,000).

- 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 2018.

**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 2019. 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 recognition of right-of-use asset and corresponding liability in respect of a lease.

**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**

	1Q2019	1Q2018
<b>Earnings per share ("EPS")</b>		
Profit attributable to owners of the Company (S\$'000)	1,429	1,794
On a basic and diluted basis (Singapore cents per share)	0.48	0.75

Note: EPS for 1Q2018 have been computed based on pre-invitation share capital of 240,000,000 shares. The pre-invitation number of ordinary shares reflects the weighted average number of shares as at 31 March 2018 adjusted for the shares issued pursuant to the Restructuring Exercise and Share Split, on the basis that the shares transfer and split had been completed as at 1 January 2018.

EPS for 1Q2019 have been computed based on share capital of 300,000,000 shares.

The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 31 March 2019 and 31 March 2018.

**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 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Net asset value ("NAV") (S\$'000)	40,618	39,162	36,241	36,323
NAV per ordinary share (Singapore cents per share)	13.54	13.05	12.08	12.11

Note: NAV per ordinary share for the respective financial periods have been computed based on the share capital of 300,000,000 shares.



- 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**

**1Q2019 compared to 1Q2018**

	1Q2019	1Q2018	Change
	S\$'000	S\$'000	%
<b>Revenue</b>			
Specialty pharma principals	13,836	17,672	-21.7%
Proprietary brands	3,426	3,378	1.4%
Medical hypermart and digital	9,742	9,578	1.7%
	<u>27,004</u>	<u>30,628</u>	-11.8%

**Revenue**

The Group's revenue for 1Q2019 decreased by 11.8% or S\$3.6 million over 1Q2018 to S\$27.0 million.

There was a decline of 21.7% in the specialty pharma principals segment in 1Q2019. The higher demand for radiology products in 1Q2018, ahead of the product licensing renewal in Vietnam, was not repeated in 1Q2019. The decline was partially offset by (i) increase of 1.4% in the proprietary brands segment due to higher sales in dermatological products under Ceradan® brand and (ii) increased sales of 1.7% in the medical hypermart and digital segment.

**Gross profit**

Gross profit for 1Q2019 decreased by 1.3% or S\$0.1 million from 1Q2018 to S\$9.5 million. This was mainly due to reduced contribution from the specialty pharma principals segment.

Gross profit margin for 1Q2019 increased by 3.7% from 31.4% in 1Q2018 to 35.1% in 1Q2019, primarily due to relatively lower sales contribution from Vietnam which typically has lower margins.

**Distribution costs**

Distribution costs in 1Q2019 increased by 0.3% or S\$0.01 million from S\$5.1 million to S\$5.2 million despite reduced revenue due to strengthening of human capital to support our growth strategy, partially set-off by reduced advertising and promotion expenses as there were no large scale marketing activities.

**Administrative expenses**

Administrative expenses increased by 20.4% or S\$0.4 million, from S\$2.1 million in 1Q2018 to S\$2.5 million in 1Q2019 due to (i) higher depreciation costs following capitalisation of right-of-use asset under lease as well as capital expenditure relating to the integrated facility, (ii) increased compliance costs and listing fees, partially set-off by (iii) reduced office rental costs following the classification of operating lease as right-of-use asset.

## **Consolidated Statement of Comprehensive Income (cont'd)**

### **1Q2019 compared to 1Q2018 (cont'd)**

#### Finance costs

Finance costs of S\$0.04 million for 1Q2019 were 23.5% or S\$0.01 million higher than 1Q2018 due to recognition of interest on lease liability (1Q2018: nil).

#### Other losses

Other losses in 1Q2019 decreased by 15.0% or S\$0.03 million from 1Q2018 to S\$0.2 million, mainly due to reversal of allowance for inventories obsolescence, partially set-off by higher foreign exchange translation losses and increased inventories written off.

#### Profit before tax

Profit before tax decreased by 25.0% or S\$0.5 million from S\$2.2 million in 1Q2018 to S\$1.7 million in 1Q2019, mainly due to decrease in revenue and higher administrative expenses as explained above.

#### Income tax expense

Income tax expense for 1Q2019 was S\$0.2 million lower than 1Q2018, as a result of reduced profits for the period and overprovision of tax for prior years.

#### Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 20.3% or S\$0.4 million, from S\$1.8 million in 1Q2018 to S\$1.4 million in 1Q2019.

## **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 2019 and 31 December 2018.*

#### Non-current assets

The Group's non-current assets increased by S\$3.7 million from S\$11.4 million as at 31 December 2018 to S\$15.1 million as at 31 March 2019 primarily due to recognition of right-of-use asset for lease premise at the integrated facility of approximately S\$3.9 million and purchase of automated repackaging machinery of S\$0.3 million, partially offset by depreciation of plant and equipment and amortisation of intangible assets.

#### Current assets

The Group's current assets decreased by S\$3.8 million from S\$63.5 million as at 31 December 2018 to S\$59.7 million as at 31 March 2019 mainly due to decrease in inventories and trade and other receivables of S\$0.9 million and S\$2.4 million respectively.

The decrease in inventories was a result of reduced stock up during the period. The decrease in trade and other receivables was mainly due to decrease in trade receivables from Vietnam distributors, in line with the reduced sales.

#### Non-current liabilities

The Group's non-current liabilities increased by S\$2.9 million from S\$0.5 million as at 31 December 2018 to S\$3.4 million as at 31 March 2019 primarily due to recognition of lease liabilities relating to leased premise at the integrated facility.

### **Consolidated Statements of Financial Position (cont'd)**

#### Current liabilities

The Group's current liabilities decreased by S\$4.5 million from S\$35.3 million as at 31 December 2018 to S\$30.8 million as at 31 March 2019. This was mainly attributable to (i) decrease of S\$3.3 million in trade and other payables in line with reduced purchases and (ii) reduced bank borrowings of S\$2.0 million, partially offset by (iii) increase of S\$0.8 million in lease liabilities relating to leased premise.

### **Consolidated Statements of Cash Flows**

The Group generated net cash of S\$2.3 million from operating activities in 1Q2019, mainly due to operating cash flows before changes in the working capital of S\$2.2 million and net working capital inflows of S\$0.4 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\$2.4 million, (ii) decrease in inventories of S\$0.9 million, partially offset by (iii) decrease in trade and other payables of S\$3.2 million.

Net cash flows used in investing activities during 1Q2019 amounted to S\$0.3 million, mainly attributable to purchase of automated repackaging machinery.

Net cash flows used in financing activities amounted to S\$2.2 million during 1Q2019, mainly due to (i) net bank borrowings repayment of S\$2 million and (ii) 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**

The Group has launched two dermatology products under its proprietary brands in 1Q2019 and will continue to enhance its product offerings through licencing and research collaborations. The latest signed memorandum of understanding ("MOU") with Accelerate Technologies Pte Ltd, commercialisation arm of Agency for Science, Technology and Research (A\*STAR), further affirms the Group's commitment to the skin health business.

Whilst Vietnam remains an important market for the Group, competition has grown more intense. As such, the Group is actively strengthening its presence in our other existing markets as well as seeking further opportunities in new international markets.

The Group has also strengthened its human capital in order to deliver on its long-term growth strategy, further demonstrating the commitment to investing for the future.

**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 1Q2019 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:

	<b>Allocated S\$'000</b>	<b>Utilised S\$'000</b>	<b>Balance S\$'000</b>
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	695	2,857
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	-
<b>Gross proceeds from the Invitation</b>	<b>15,600</b>	<b>5,743</b>	<b>9,857</b>

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 May 2019

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This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor, DBS Bank Ltd. ("Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not 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 accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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