HYPHENS PHARMA INTERNATIONAL LIMITED
(Company Registration No. 201735688C)
(Incorporated in the Republic of Singapore)

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS ON ANNUAL REPORT 2023

The Board of Directors of Hyphens Pharma International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders who have submitted questions in advance of the Company’s Annual General Meeting (“**AGM**”) which will be held at 750A Chai Chee Road, ESR BizPark @ Chai Chee, #06-02/03, Singapore 469001 on Thursday, 25 April 2024 at 10:00 a.m.

Please refer to the Appendix below setting out the Company’s response to substantial and relevant questions from shareholders on the annual report for the financial year ended 31 December 2023 (“**Annual Report 2023**”).

BY ORDER OF THE BOARD

Lim See Wah
Executive Chairman and Chief Executive Officer
19 April 2024

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

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: +65 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

APPENDIX

1.	**General / Overall Business**
1.1	The Group recorded its highest quarterly revenue in Q4 2023. What was it driven by? **Company's response** The Group was on a steady recovery quarter-on-quarter in FY2023. It was driven by several factors: firstly, we have been actively adding new products to our portfolio, such as products from Laboratoires Gilbert S.A.S., Ocean Health® Gummies range, and Nabota®; secondly, the ease of supply chain pressure on key selling products; and lastly, the acquisition 23% stake in Ardence Pharma Sdn Bhd was completed in the 4th quarter of 2023 which makes it a subsidiary of the Group.
1.2	Vietnam's revenue declined in FY2023 despite the Group seeing revenue growth in other regions. Can you elaborate on the challenges faced in the Vietnamese market? **Company's response** Vietnam's decline in revenue in the six months ended 30 June ("**1H**") 2023 was mainly due to the discontinuation of Biosensor at the end of the financial year ended 31 December ("**FY**") 2022 as well as supply disruption on certain key products. However, it has achieved a strong recovery in the six months ended 31 December ("**2H**") 2023 resulting in a revenue of S$29.25 million. This reflects a half-year over half-year growth of 48% compared to S$19.76 million in 1H2023 and year over year ("**YoY**") growth of 7% compared to S$27.36 in 2H2022.
1.3	The annual report shows China's exit from the distribution network. Can you share the rationale behind this decision? **Company's response** The partnership with the Chinese counterpart was terminated due to internal issues of the distributor. However, China remains an interesting market for the Group and we continue to look for partnerships in China.
1.4	How would you describe the competitive landscape in our two largest markets (Singapore and Vietnam) and what specific steps has the Group taken to stand out against its competition in the two markets? **Company's response** Singapore benefits from the matured and stable customer base. However, the growth potential is limited due to the size of the overall market. Therefore, we strive to grow our product portfolio range while expanding our sales channel. The acquisition of Novem in 2021 strengthened the Group's capability in the government tender business, while the recent launch of Ocean Health® with 7-Eleven stores increased our point of sales to consumers. Vietnam is a rapidly growing market with rising income and improved healthcare access. However, it is characterized by challenges such as price controls and a preference for low-cost generic drugs. While our hospital channel sales in Vietnam still account for a majority of the revenue at the moment, we are actively venturing into the consumer healthcare market by collaborating with local retail pharmacies and online platforms.
1.5	The top 3 customers account for a significant portion of revenue. How does the management view this customer concentration risk? Are there strategies in place to reduce dependence on any single client?

Company's response

The major customer in Note 4G of Notes to the Financial Statements in the Annual Report 2023 refers to distributors who purchase goods from the Group and sell to the end customers such as hospitals, pharmacies, and clinics. Therefore, it does not form a concentration of risks, because each distributor distributes to a large number of hospitals, pharmacies, and clinics.

1.6 Are there any major distributorship or licensing agreements expiring in FY2024 and FY2025?

Company's response

No, the Company does not foresee any at the point of this announcement.

1.7 The annual report briefly mentions supply chain challenges. Can you elaborate on the specific disruptions the Group is facing?

Company's response

At the beginning of FY2023, the Group suffered from an out-of-stock situation for some of the key selling products due to various reasons. The situation has very much eased towards the end of FY2023 with regular shipments received.

1.8 Has the Group been successful in adjusting sale prices and negotiating with counterparties to counter inflation?

Company's response

Continuous efforts have been made by the Group to try to pass the cost pressure down the supply chain though not entirely. We will continue to negotiate rates with suppliers but ensure our pricing remain competitive in the marketplace.

1.9 Can you elaborate on the specific metrics management considers when making share buy-back decisions?

Company's response

The share buy-back is specifically to accumulate treasury shares and to fulfil the potential award of the Hyphens Performance Share Plan.

1.10 It is proposed that director fees would increase from SGD 232k to 257k. This is in spite of net profit falling from SGD 11.4million to 8.6million. Please justify why the company is proposing to increase director fees by 10% when the company net profits have dropped by 25%? Please explain and elaborate clearly.

Company's response

While profitability is one of the considerations for directors' compensation, the Company believes it should not be the sole measurement. The Group has achieved revenue growth in FY2023 benefiting from the guidance provided by the Board. In addition, the Board also provides guidance on the long-term strategic initiatives, such as acquisition of new drugs and new assets. Lastly, the Board has ensured an effective corporate governance function with an increasing focus on sustainability. Therefore, we believe it is necessary to ensure the Board is compensated competitively so the Board remains engaged, motivated, and committed to driving the Company's performance.

1.11 AGM Resolution 6: Does HPIL benchmark the director fees against fellow SGX Catalist listed companies?

Company's response

There are limited number of companies from the same industry listed on the SGX Catalist Board for the Group to make meaningful benchmarking.

1.12 How does HPIL balance the Share-based incentive plan (Hyphens Performance Share Plan and Hyphens Share Option Scheme) with the interest of minority shareholders with regards to share ownership dilution?

Company's response

Minority shareholders' interests are important to the Group. The most recent example is that the Group conducted a share buy-back exercise on 2 April 2024 for the purpose of the Hyphens Performance Share Plan.

We strive to align the performance metrics of these incentive plans with long-term value creation for all shareholders, thereby mitigating concerns about dilution without compromising the effectiveness of the incentive schemes in driving performance and attracting talent. We remain committed to maintaining a fair balance between incentivising key stakeholders and safeguarding the interests of minority shareholders.

1.13 In AR2023, the reported remuneration band of the directors "S$250,001 – S$800,000". In AR2022, it was "S$250,001 – S$500,000". Will this be the new band moving forward?

Company's response

The Company will make full disclosure on the exact amount and breakdown of the remuneration paid to the directors in our annual report from FY2024 onwards.

1.14 Given the share price is trading near IPO price and various brokerage research reports indicating fair value of between SGD0.35-SGD0.38 per share, what are the plans to address this underperformance?

Company's response

The management shares the same observation, and we notice that this is not an uncommon phenomenon for SGX-listed companies. In spite of the challenging situation, we are actively pursuing solutions.

On one front, the Group consistently communicates new business developments and financial performance to the public, engages in quarterly analyst research, analyst briefings, as well as publishes several interviews annually. Simultaneously, the Group prioritises business growth and profitability enhancements, aiming to provide shareholders with increased value from their investments.

Lastly, the Group strives to find various ways to enhance shareholders' value. In FY2023, we declared and paid a special interim dividend of 3.6 Singapore cents in celebration of the Group's 5th listing anniversary.

1.15 The company had conducted its 1st share buyback and the shares purchased are held as Treasury shares. Does management intend to conduct further share buyback and use the treasury shares for performance share plan, share awards etc instead of issuing new shares which will dilute shareholders?

Company's response

The shares bought back on 2 April 2024 are intended for the Hyphens Performance Share Plan. Any further share buy-back will depend on various factors such as share price and business performance.

2. Proprietary Brands Segment

2.1 The proprietary brands segment showed strong EBITDA margin improvement in FY2023. What were the reasons behind this improvement?

Company's response

In FY2023, we managed to grow the revenue for proprietary brand by 9% YoY. At the same time, we managed to control the distribution cost for the segment at a similar level as FY2022 with only 1% increase. In addition, we effectively improved the operational efficiency by reducing the administrative expenses for the segment by 26% YoY.

2.2 In the video (https://www.youtube.com/watch?v=pZ8ecDgcwfQ), Mr Lim mentioned that HP signed a five-year agreement with A*STAR in Year 2019. Are there plans to renew the agreement? If not, why are the reasons?

Company's response

While we do not plan to renew the MOU with A*STAR, we have been continuously engaging them for various collaborations.

The media* has reported ultraviolet (UV) index hitting extreme levels and recommends putting on sunscreen.
* https://www.straitstimes.com/singapore/extra-protection-against-sunburn-needed-as-uv-index-in-s-pore-hits-extreme-levels-on-wed-afternoon

2.3 Considering the effects of climate change could potentially worsen, will HPIL be planning to introduce sunscreen related product for its Ceradan range? Does HPIL plan to reinvigorate the marketing of its TDF sunscreen products?

Company's response

Thank you for the suggestions. Ceradan® is an important brand to the Group and the Company always looks to add new SKUs to the Ceradan® range.

TDF® has recently introduced the latest addition to its sunscreen lineup, TDF® Blu Viole Tinted, which provides an even broader selection to cater to various skin tones.

2.4 What is the pipeline for Ceradan / TDF products?

Company's response

We have products targeting eczema and anti-aging in our pipeline.

It's heartening that our flagship brand has expanded to the Middle East!

2.5 How was Cooper Pharma (CP) introduced to HPIL and how does HPIL intend to work with CP for the commercialization, e.g. are shareholders able to see updates through any specific social media campaigns created for the Middle East markets?

Company's response

CP (a pharma and consumer health company headquartered in Morocco) has a strong presence in MEA (Middle East and Africa) markets. They first reached out to us during the World Congress of

Dermatology (WCD) held in Singapore in July 2023. CP has a strong position in the GCC countries due to its proven track record, strong commercial and regulatory capabilities, and well-established brands in dermatology in KSA and UAE. The Company intends to work closely with them in providing guidance in establishing clear product differentiation of Ceradan® through scientific events and product promotion targeting dermatologists and paediatricians. Also, CP will leverage its local strength to establish a good penetration in the retail channel.

2.6 Given there are existing dermatology products which had entered the market much earlier*, is HPIL still confident to compete effectively?
*https://healthmagazine.ae/press_release/cetaphil-celebrates-70-years-healthy-skin-middle-east/

Company's response

HPIL is keen to replicate Ceradan®'s success in the Middle East by focusing on KSA and UAE markets as two priority markets in the GCC countries. Ceradan® has been scientifically designed for managing eczema prone skin and has demonstrated good efficacy. Ceradan® addresses the underlying problem of defective skin barrier by restoring the skin barrier function. Not only does Ceradan® replenish "Ceramide", a key structural component of the skin barrier that is markedly lacking in eczema skin, its formulation of ceramide dominant ratio (3:1:1) ensures optimal skin barrier repair. Hence, we believe Ceradan®, being a well-differentiated brand, stands a good chance to win in these markets where other brands are present mostly in retail without strong doctor engagement. Additionally, the Company believes that Ceradan® as a Singapore brand will convey a strong reputation of exceptional quality to doctors and consumers. Through a survey conducted in Singapore by IQVIA, an external independent party, Ceradan® was voted by private dermatologists as the "#1 Top-of-the-mind brand".

3. Specialty Pharma Principals

NOVEM

3.1 What was Novem's contribution to the Group's overall revenue and profits for FY2023?

Company's response

Novem is playing an important part in the Group's overall business performance, both financially and strategically.

3.2 On page 115 of the annual report, the revenue growth rates going forward used in Novem's DCF model decreased from 5% in FY2022 to 3% in FY2023. What are the factors contributing to the revised growth projections?

Company's response

A lower rate used is purely a more conservative approach towards the business valuation in consideration of various factors, such as fluctuation of the tender sales, etc.

MEDICAL AESTHETICS

Hyphens Pharma (HPIL) has medical aesthetics as a new growth engine, with offerings like Nabota, Ardence Pharma(AP)'s suite of products. While the medical aesthetics sector has demonstrated robust growth, it is also highly competitive with strongly entrenched existing players*. Hence,

* https://www.businesswire.com/news/home/20170424005937/en/Top-5-Vendors-in-the-Botulinum-Toxin-Market-from-2017-to-2021-Technavio

3.3 Can management help shareholders understand the competitive advantages of HPIL to be able to win market share? e.g. Nabota (only registered in Singapore only last year) vs existing competitor products, AP's suite of injectables vs existing competitors?

Company's response

The Asia Pacific region, being the fastest growing market for Medical Aesthetic, presents a tremendous growth potential for Ardence Pharma. It provides ample room for the company to gain market share and compete effectively alongside established players. Under the capable leadership of Group's COO, Mr Yann Marche and Ardence Pharma's Managing Director, Mr Sean Loo, both of whom bring extensive industry experience, Ardence Pharma is well-equipped to navigate this growth trajectory and leverage its strengths in the market.

Based on the AP's FB page, there seem to be doctors from various clinics providing training on AP's products. Can HPIL explain AP's business model:

3.4 Are those "trainer" doctors training other fellow doctors? are the trainers affiliated to AP?

Company's response

These physicians serve as Key Opinion Leaders ("**KOLs**") within the industry, and they have no affiliation with Ardence Pharma. However, Ardence Pharma plays a pivotal role in organizing training sessions conducted by the product principals for these KOLs. Subsequently, the KOLs impart their knowledge and experiences to other aesthetic doctors, facilitated by Ardence Pharma.

AP has ambitious plans for further regional expansion, backed by a robust pipeline of products, including ethical products, medical devices, and skincare ranges and is positioned to be the leading medical aesthetic supplier in Southeast Asia*:

*https://links.sgx.com/FileOpen/Hyphens%20-%20Proposed%20Acquisition%20of%20Share%20Capital%20in%20Ardence%20Pharma%20Sdn%20Bhd%20over%203%20Tranches.ashx?App=Announcement&FileID=775096

3.5 Can HPIL elaborate on strategies on the expansion, what new geographical markets is AP looking at for FY2024?

Company's response

Ardence Pharma is actively looking into geographical expansion. We will leverage our strong network and local knowledge to grow the business in Southeast Asia.

3.6 When are the AP medical devices expected to launch?

Company's response

Plinest® range is classified as medical devices and was launched in October 2023.

4. Others

4.1 The MAGNEZIX®* products offer previously unattainable combination of metallic stability, degradability and biocompatibility. How is it doing in Vietnam? Given such a good product, are there plans to bring it to other markets? If not, what are the reasons?

*https://links.sgx.com/FileOpen/HyphensPharma_first-to-introduce-bioresorbable-metallic-implants-to-Vietnam.ashx?App=Announcement&FileID=563753

Company's response

MAGNEZIX® suffered from supply issues previously. We have just re-launched the product in Vietnam recently and we shall closely monitor the sales performance of the product. We remain enthusiastic to explore opportunities to bring our existing products to other markets.

5. Medical Hypermart and Digital Segment

5.1 Will DocMed be looking to raise capital in FY2024?

Company's response

Yes, DocMed is planning to raise capital in FY2024.

5.2 Can HPIL help shareholders understand (example if possible) how DocMed's digital suite of analytics tool works and does this help to better generate sales/benefits?

Company's response

DocMed's data suite of tools plays the role of capturing the digital lifecycle of our customers. If DocMed is able to pipe all our data into one central repository warehouse, the Company will be able to leverage on data science to better generate sales/benefits.

The POM platform in Singapore, Malaysia, and Vietnam are facilitating medical procurement transactions for healthcare professionals.

5.3 Do the 3 markets have the same business models in terms of revenue/profit generation? What are the major cost components for the 3 countries?

Company's response

Yes, the business models are similar in providing an online platform for physicians to procure pharmaceutical products and medical supplies.

The resources are mainly channelled to platform development and manpower-related expenses.

5.4 Are there any synergistic effects between the 3 markets?

Company's response

DocMed enjoys synergies from POM platform development across the 3 markets and the centralised support functions such as finance, HR, and IT.

HPIL plans to develop an ASEAN integrated digital healthtech platform.

5.5 How would this benefit the company other than direct increased revenue, e.g. are there Network/Flywheel Effects, will it be synergistic to the other 2 Speciality Pharma/Proprietary segments?

Company's response

Besides contribution to the Group revenue, the health tech platform also provides additional touchpoints to the healthcare professionals who are existing or potential customers of the Group.

5.6 The current profit margin of the Hypermart/Digital business is pretty challenging (AR pg104). Does HPIL envisage better profit margins once more countries/markets are onboarded?

Company's response

To launch a new country/market, we would expect an initial investment stage when the profit margins are low. Margins will improve when the business starts to generate enough revenue to cover the fixed expenses.

5.7	Given 3 countries are already onboard, what would be a realistic high level timeline for the platform to roll out to the remaining ASEAN countries (https://asean.org/member-states/)? **Company's response** At the current stage, we are focusing on growing the 3 existing platforms instead of venturing into new markets. We believe it would set the business on a more solid ground for the next phase of growth.
5.8	The principal business* of DocMed Lyth Pte Ltd & TechMed Sdn Bhd. is investment and incubation of early-stage business relating to digital healthcare. Can management help shareholders understand more about the subsidiaries, e.g. what activities had the subsidiaries undertaken so far, how does it go about fulfilling its business objectives? *https://links.sgx.com/FileOpen/Hyphens_results_1H2023.ashx?App=Announcement&FileID=768392 **Company's response** DocMed Lyth Pte Ltd is the investment company of the Vietnam Joint venture, VietPom. TechMed Sdn Bhd. is the legal entity that runs the Malaysia DocMed business.