

iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2017

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL-YEAR RESULTS
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.

	Group 3 months ended			Group 12 months ended		
	30.06.17 S\$'000	30.06.16 S\$'000	Incr/(Decr) %	30.06.17 S\$'000	30.06.16 S\$'000	Incr/(Decr) %
Revenue	1,787	1,705	5%	6,381	5,797	10%
Cost of sales	(1,192)	(1,053)	13%	(4,448)	(4,090)	9%
Gross profit	595	652	(9%)	1,933	1,707	13%
	33%	38%		30%	29%	
Other income	228	3,179	(93%)	2,073	3,979	(48%)
Expenses						
- Research and development	(1,201)	(1,445)	(17%)	(4,811)	(5,610)	(14%)
- Sales and marketing	(522)	(212)	146%	(1,235)	(659)	87%
- General and administrative	(1,707)	(1,382)	24%	(6,358)	(6,106)	4%
- Others	(437)	(311)	41%	1,059	(1,047)	n.m.
- Finance expense	(62)	(19)	226%	(242)	(47)	415%
Total expenses	(3,929)	(3,369)	17%	(11,587)	(13,469)	(14%)
(Loss)/profit before income tax	(3,106)	462	n.m.	(7,581)	(7,783)	3%
Income tax credit/(expense)	61	(61)	n.m.	191	80	139%
(Loss)/profit for the financial period	(3,045)	401	n.m.	(7,390)	(7,703)	4%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Gain/(loss) - net of tax	64	149	(57%)	(187)	61	n.m.
Total comprehensive (loss)/profit	(2,981)	550	n.m.	(7,577)	(7,642)	1%

n.m. denotes not meaningful
 Incr/(Decr): Increase / (Decrease)

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

Loss before income tax of the Group is arrived at after charging/crediting the following:

	Note	Group			Group		
		3 months ended			12 months ended		
		30.06.17	30.06.16	Incr/ (Decr)	30.06.17	30.06.16	Incr/ (Decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
After crediting:							
Research and development tax incentive	(i)	169	3,131	(95%)	1,868	3,872	(52%)
Interest income		51	7	629%	136	34	300%
Currency exchange (losses)/ gains - net		(437)	(311)	(41%)	1,059	(890)	n.m.
After charging:							
Share based payment expense	(ii)	209	70	199%	448	412	9%
Depreciation and amortisation expense		331	250	32%	1,281	932	37%
Interest expense		62	19	226%	242	47	415%
Initial public offering related expense	(iii)	-	-	-	-	180	n.m.

- (i) The research and development (“R&D”) tax incentive is a programme administered jointly by the Australian Taxation Office and Innovation Australia which provides a rate of 43.5% (revised from 45% before 1 July 2016) refundable tax offset for expenditure incurred for eligible R&D activities. The higher R&D tax incentive in corresponding quarter 4Q16 and FY2016 were due to approval received in June 2016 following the Group’s application to include certain overseas R&D expenditure as eligible for refundable tax offset.
- (ii) The share based payment expense was due to amortisation of the fair value of the share options granted to employees and consultants over the vesting period. In 1Q17, a reversal of the fair value of share options amounted to S\$0.44 million arose from forfeiture of certain share options due to resignation of an employee. This was partially offset by amortisation of new share awards granted on 30 September 2016 which amounted to S\$0.21 million and S\$0.89 million in 4Q17 and FY2017 respectively.
- (iii) The initial public offering related expense consisted of a one-off expense for activities related to the Company’s listing on the Catalist Board of the Singapore Exchange Securities Trading Limited.

1(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	
	30.06.17	30.06.16	30.06.17	30.06.16
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	31,088	31,327	28,527	30,735
Trade and other receivables	2,973	4,884	2,957	2,703
Other current assets	521	542	166	276
	<u>34,582</u>	<u>36,753</u>	<u>31,650</u>	<u>33,714</u>
Non-current assets				
Deposits – operating lease	79	23	79	23
Intangible assets	1,398	1,793	-	-
Property, plant and equipment	8,191	7,541	180	119
Investments in subsidiaries	-	-	5,404	5,404
	<u>9,668</u>	<u>9,357</u>	<u>5,663</u>	<u>5,546</u>
Total assets	<u>44,250</u>	<u>46,110</u>	<u>37,313</u>	<u>39,260</u>
LIABILITIES				
Current liabilities				
Trade and other payables	3,501	3,063	1,276	959
Borrowings	271	207	-	-
Provision	101	151	-	-
	<u>3,873</u>	<u>3,421</u>	<u>1,276</u>	<u>959</u>
Non-current liabilities				
Provision	65	30	-	-
Deferred government grant	35	67	-	-
Borrowings	4,480	4,045	-	-
Deferred income tax liabilities	172	356	-	-
	<u>4,752</u>	<u>4,498</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,625</u>	<u>7,919</u>	<u>1,276</u>	<u>959</u>
NET ASSETS	<u>35,625</u>	<u>38,191</u>	<u>36,037</u>	<u>38,301</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	70,131	64,998	70,131	64,998
Shares to be issued pursuant to Rights Issue	-	465	-	465
Other reserves	646	490	787	444
Accumulated losses	(35,152)	(27,762)	(34,881)	(27,606)
Total equity	<u>35,625</u>	<u>38,191</u>	<u>36,037</u>	<u>38,301</u>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	30.06.17 S\$'000	30.06.16 S\$'000
Amount repayable in one year or less, or on demand		
- Secured	271	207
Amount repayable after one year		
- Secured	4,480	4,045
Total borrowings	<u>4,751</u>	<u>4,252</u>

Details of any collateral:

The loans are secured over land and building, certain plant and equipment and motor vehicles of subsidiaries of the Group.

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.

	Group		Group	
	3 months ended		12 months ended	
	30.06.17	30.06.16	30.06.17	30.06.16
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Total (loss)/profit after tax	(3,045)	401	(7,390)	(7,703)
Adjustments for:				
- Deferred government grant income	(9)	(9)	(35)	(34)
- Depreciation and amortisation expense	331	250	1,281	932
- Income tax (credit)/expense	(61)	61	(191)	(80)
- Interest income	(51)	(7)	(136)	(34)
- Interest expense	62	19	242	47
- Provision	16	8	(24)	12
- Research and development tax incentive	(169)	(3,131)	(1,868)	(3,872)
- Share based payment expense	209	70	448	412
- Change in fair value of contingent consideration payable	-	-	-	(23)
- Unrealised currency exchange losses/(gains) – net	422	283	(989)	843
	<u>(2,295)</u>	<u>(2,055)</u>	<u>(8,662)</u>	<u>(9,500)</u>
Changes in working capital, net of effects from acquisition of subsidiaries:				
- Trade and other receivables	(237)	(311)	(95)	313
- Other current assets	(351)	(29)	(21)	(203)
- Trade and other payables	30	507	396	17
Cash used in operations	<u>(2,853)</u>	<u>(1,888)</u>	<u>(8,382)</u>	<u>(9,373)</u>
Interest received	15	7	94	32
Income tax paid	-	(480)	-	(480)
Research and development tax incentive received	2,720	431	4,130	695
Net cash used in operating activities	<u>(118)</u>	<u>(1,930)</u>	<u>(4,158)</u>	<u>(9,126)</u>
Cash flows from investing activities				
Additions of subsidiaries, net of cash acquired	-	(738)	-	(738)
Additions to property, plant and equipment	(141)	(80)	(982)	(1,119)
Additions to intangible assets	-	(24)	(137)	(42)
Payment of contingent consideration payable	-	-	-	(766)
Net cash used in investing activities	<u>(141)</u>	<u>(842)</u>	<u>(1,119)</u>	<u>(2,665)</u>

	Group 3 months ended		Group 12 months ended	
	30.06.17 S\$'000	30.06.16 S\$'000	30.06.17 S\$'000	30.06.16 S\$'000
Cash flows from financing activities				
Proceeds from issuance of ordinary shares and shares to be issued	-	5,490	4,698	35,620
Transaction costs paid pursuant to issuance of shares	-	(176)	(135)	(1,240)
Repayment of borrowings	(73)	(34)	(263)	(103)
Proceeds from borrowings	141	583	529	636
Interest paid	(62)	(20)	(242)	(32)
Increase in pledged fixed deposits	-	-	-	(400)
Net cash from financing activities	6	5,843	4,587	34,481
Net (decrease)/increase in cash and cash equivalents	(253)	3,071	(690)	22,690
Cash and cash equivalents				
Beginning of financial period	31,194	27,859	30,927	8,891
Effects of currency translation on cash and cash equivalents	(253)	(3)	451	(654)
End of financial period	30,688	30,927	30,688	30,927

Cash and cash equivalents comprise the following:

	Group 30.06.17 S\$'000
Cash and cash equivalents in Balance Sheet	31,088
Less: Bank deposits pledged	(400)
Cash and cash equivalents per consolidated statement of cash flows	30,688

Bank deposits are pledged as security for a foreign exchange facility.

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to equity holders of the Company					
	Share capital S\$'000	Shares to be issued S\$'000	Share based payment reserve S\$'000	Currency translation reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
At 1 July 2016	64,998	465	444	46	(27,762)	38,191
Loss for the period	-	-	-	-	(4,345)	(4,345)
Other comprehensive loss for the period	-	-	-	(251)	-	(251)
Total comprehensive loss for the period	-	-	-	(251)	(4,345)	(4,596)
Share based payment scheme						
- Value of employees' services	-	-	683	-	-	683
- Reversal of share based payment	-	-	(444)	-	-	(444)
Shares issued pursuant to the rights issue, net of transaction costs	5,028	(465)	-	-	-	4,563
Shares issued pursuant to iX Performance Share Plan	105	-	(105)	-	-	-
Total transactions with owners, recognised directly in equity	5,133	(465)	134	-	-	4,802
At 31 March 2017	70,131	-	578	(205)	(32,107)	38,397

Attributable to equity holders of the Company

Group	Share capital	Shares to be issued	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 March 2017	70,131	-	578	(205)	(32,107)	38,397
Loss for the period	-	-	-	-	(3,045)	(3,045)
Other comprehensive gain for the period	-	-	-	64	-	64
Total comprehensive loss for the period	-	-	-	64	(3,045)	(2,981)
Share based payment scheme						
- Value of employees' services	-	-	209	-	-	209
Total transactions with owners, recognised directly in equity	-	-	209	-	-	209
At 30 June 2017	70,131	-	787	(141)	(35,152)	35,625
At 1 July 2015	29,019	-	1,299	(15)	(20,059)	10,244
Loss for the period	-	-	-	-	(8,104)	(8,104)
Other comprehensive loss for the period	-	-	-	(88)	-	(88)
Total comprehensive loss for the period	-	-	-	(88)	(8,104)	(8,192)
Share based payment scheme						
- Value of employees' services	-	-	342	-	-	342
Share options exercised	1,267	-	(1,267)	-	-	-
Shares issued pursuant to the initial public offering, net of transaction costs	29,066	-	-	-	-	29,066
Total transactions with owners, recognised directly in equity	30,333	-	(925)	-	-	29,408
At 31 March 2016	59,352	-	374	(103)	(28,163)	31,460
Profit for the period	-	-	-	-	401	401
Other comprehensive profit for the period	-	-	-	149	-	149
Total comprehensive profit for the period	-	-	-	149	401	550
Share based payment scheme						
- Value of employees' services	-	-	70	-	-	70
Receipts for shares to be issued pursuant to the rights issue	-	465	-	-	-	465
Shares issued pursuant to the private placement, net of transaction costs	4,849	-	-	-	-	4,849
Issue of new shares for acquisition of subsidiaries	797	-	-	-	-	797
Total transactions with owners, recognised directly in equity	5,646	465	70	-	-	6,181
At 30 June 2016	64,998	465	444	46	(27,762)	38,191

Attributable to equity holders of the Company

Company	Share capital	Shares to be issued	Share based payment reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2016	64,998	465	444	(27,606)	38,301
Loss for the period	-	-	-	(2,573)	(2,573)
Total comprehensive loss for the period	-	-	-	(2,573)	(2,573)
Share based payment scheme					
- Value of employees' services	-	-	683	-	683
- Reversal of share based payment	-	-	(444)	-	(444)
Shares issued pursuant to the rights issue, net of transaction costs	5,028	(465)	-	-	4,563
Shares issued pursuant to iX Performance Share Plan	105	-	(105)	-	-
Total transactions with owners, recognised directly in equity	5,133	(465)	134	-	4,802
At 31 March 2017	70,131	-	578	(30,179)	40,530
Loss for the period	-	-	-	(4,702)	(4,702)
Total comprehensive loss for the period	-	-	-	(4,702)	(4,702)
Share based payment scheme					
- Value of employees' services	-	-	209	-	209
Total transactions with owners, recognised directly in equity	-	-	209	-	209
At 30 June 2017	70,131	-	787	(34,881)	36,037
At 1 July 2015	29,019	-	1,299	(19,362)	10,956
Loss for the period	-	-	-	(6,437)	(6,437)
Total comprehensive loss for the period	-	-	-	(6,437)	(6,437)
Share based payment scheme					
- Value of employees' services	-	-	342	-	342
Shares options exercised	1,267	-	(1,267)	-	-
Shares issued pursuant to the initial public offering, net of transaction costs	29,066	-	-	-	29,066
Total transactions with owners, recognised directly in equity	30,333	-	(925)	-	29,408
At 31 March 2016	59,352	-	374	(25,799)	33,927
Loss for the period	-	-	-	(1,807)	(1,807)
Total comprehensive loss for the period	-	-	-	(1,807)	(1,807)
Share based payment scheme					
- Value of employees' services	-	-	70	-	70
Receipts for shares to be issued pursuant to the rights issue	-	465	-	-	465
Shares issued pursuant to the private placement, net of transaction costs	4,849	-	-	-	4,849
Issue of new shares for acquisition of subsidiaries	797	-	-	-	797
Total transactions with owners, recognised directly in equity	5,646	465	70	-	6,181
At 30 June 2016	64,998	465	444	(27,606)	38,301

Save for the foregoing, there are no (i) changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

Company	No. of ordinary shares	Amount
		S\$'000
At 1 July 2016	614,607,107	64,998
Shares issued pursuant to the rights issue	24,584,284	5,163
Shares issued pursuant to iX Performance Share Plan	333,333	105
Less: Transaction costs pursuant to the rights issue	-	(135)
At 31 March 2017 and 30 June 2017	639,524,724	70,131

In July and December 2016, the Company completed a rights issue of 24,584,284 ordinary shares for a total consideration of S\$5,162,700 ("Rights Issue") and issued 333,333 ordinary shares pursuant to iX Performance Share Plan respectively.

Save as disclosed, there are no other changes in the Company's share capital arising from any 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 reported period.

On 30 September 2016, the Company announced total awards of 3,504,333 shares to certain employees and executives under iX Performance Share Plan. Included in these awards, 2,239,000 shares granted to a controlling shareholder of the Company were approved by the shareholders at the annual general meeting on 25 October 2016. The Company has not granted any options under iX Employee Share Option Scheme since its inception.

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
As at 30 June 2017		
iX Performance Share Plan	3,171,000	3,171,000
Share options granted to various consultants and employees for services rendered	-	-
As at 30 June 2016		
iX Performance Share Plan	-	-
Share options granted to various consultants and employees for services rendered	5,000,000	5,000,000

There were no treasury shares and subsidiary holdings as at 30 June 2017 and 30 June 2016.

- 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.

As at 30 June 2017, the number of issued shares excluding treasury shares was 639,524,724 (30 June 2016: 614,607,107).

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

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

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 nor reviewed by the Company's auditor.

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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2016.

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 Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 July 2016. The adoption of these new and revised FRS and INT FRS 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:

**(a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).**

	Group		Group	
	3 months ended		12 months ended	
	30.06.17	30.06.16	30.06.17	30.06.16
Net (loss)/profit attributable to equity holders of the Company (S\$'000)	(3,045)	401	(7,390)	(7,703)
Weighted average number of shares outstanding ('000)	639,525	618,491 ⁽¹⁾	638,406	602,582 ⁽¹⁾
Basic (loss)/profit per share (Cents per share)	(0.5)	0.1	(1.2)	(1.3)

Note:

(1) The weighted average number of shares have been restated to reflect the effect of bonus element pursuant to the Rights Issue.

The Company has 3,171,000 share awards under iX Performance Share Plan (30 June 2016: 5,000,000 shares options). As they were anti-dilutive and had the effect of decreasing the loss per share, they were not included in the calculation of diluted loss per share above. Accordingly, the basic loss per share and diluted loss per share were the same for the financial periods presented.

- 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	
	30.06.17	30.06.16	30.06.17	30.06.16
Net asset value per ordinary share (in cents)	5.6	6.2	5.6	6.2

The net asset value per ordinary share of the Group and the Company as at 30 June 2017 were calculated based on the total number of issued shares of 639,524,724 (30 June 2016: 614,607,107).

There were no treasury shares as at 30 June 2017 and 30 June 2016.

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) 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; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overview

The Group is a late-stage specialty pharmaceutical company focused on the development and commercialisation of innovative therapies for improving the quality of life of those suffering from pain and other health conditions. The Company leverages its drug formulation expertise and patented sublingual drug delivery technology, **WaferiX™**, to develop products for rapid onset of action with potentially more predictable effects and ease of use.

In addition, the Group operates a Therapeutic Goods Administration of Australia ("TGA") licensed chemical testing laboratory in Australia. The laboratory provides analytical services comprising chemical testing, complex problem solving and quality assurance services for the food, environmental, pharmaceutical and clinical sectors.

During the quarter, the Group had been active in developing its product pipeline and research and development ("R&D") activities. The development status as at the end of 4Q17 is summarised below:

Products	Product Description	Development Status
Wafermine™	Sublingual ketamine for moderate to severe pain	Phase 2 Multiple-Dose Efficacy study to commence in August 2017
PheoniX™	Sublingual sildenafil for the treatment of male erectile dysfunction	Filed for drug registration with TGA in April 2017
BnoX™	Sublingual buprenorphine for moderate to severe pain	Phase 1 pharmacokinetic ("PK") study successfully completed
WafeRest™	Sublingual melatonin for jetlag and improved sleep quality	Product launch for Singapore in August 2017 with other regional markets to

		follow
Wafernyl™	Sublingual fentanyl for breakthrough, acute, post-operative and traumatic pain	Re-evaluating time-to-market given the current market trends

Additional information on each of the above are as follows:

Wafermine™

As part of FDA requirement, the Group has successfully completed a PK study for Wafermine™ versus intravenous Ketalar (a reference drug imported from US) in the quarter ended 31 March 2017 (“3Q17”). The Group is in advanced preparation to commence the Phase 2 multiple-dose efficacy study in August 2017.

PheoniX™

The Group completed its pivotal study confirming bioequivalence and good oral tolerability of PheoniX™ when compared with reference drug. Subsequently, the Group submitted its application for drug registration with TGA in April 2017.

BnoX™

The Group has successfully completed a Phase 1 PK study in 3Q17. We have commenced preparation to supply BnoX™ to hospitals and registered pharmacies in Australia under the Special Access Scheme exemption set out in Schedule 5A of the TGR.

WafeRest™

WafeRest™ has been launched in August 2017 in Singapore, with progressive roll-outs on e-commerce and other regional markets to follow.

Wafernyl™

The Group completed its Phase 1 study and is re-evaluating the time-to-market of Wafernyl™ given the current market trends.

Review of performance for quarter (“4Q17”) and year (“FY2017”) ended 30 June 2017

Revenue	4Q17	4Q16	Incr/ (Decr)	FY2017	FY2016	Incr/ (Decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Chemical Analysis	1,778	1,698	5%	6,332	5,694	11%
Specialty Pharmaceutical	9	7	29%	49	103	(52%)
Total revenue	1,787	1,705	5%	6,381	5,797	10%

The Group currently derives its main source of revenue from the chemical analysis business, which provides laboratory testing services. The segment recorded revenue of S\$1.78 million in 4Q17, an increase of 5% as compared to S\$1.70 million for the same quarter last year (“4Q16”). Revenue for FY2017 was S\$6.33 million, an increase of 11% as compared to S\$5.69 million for the financial year ended 30 June 2016 (“FY2016”).

The segment recorded higher revenue in 4Q17 and FY2017 mainly due to:

- (a) increase in laboratory testing services which led to revenue growth of 1% and 7% in 4Q17 and FY2017 respectively.

In Australian dollar, the segment achieved revenue growth of 1% in 4Q17 with revenue of A\$1.70 million as compared to A\$1.68 million in 4Q16. For FY2017, revenue increased by 7% to A\$6.03 million as compared to A\$5.64 million in FY2016.

- (b) the strengthening of the Australian dollar when translated into the reporting currency (Singapore dollars), resulted in an increase of 4% in revenue for both 4Q17 and FY2017.

Cost of sales, comprising mainly personnel and consumable expenses relating to provision of chemical analysis services, was S\$1.19 million and S\$4.45 million for 4Q17 and FY2017 respectively. The increases as compared to prior comparative periods were mainly due to higher revenue.

The Group recorded a gross profit of S\$0.60 million or 33% of revenue in 4Q17 versus S\$0.65 million or 38% of revenue in 4Q16. For the full financial year, the Group recorded a gross profit of S\$1.93 million or 30% of revenue in FY2017 versus S\$1.71 million or 29% of revenue in FY2016.

Other income - Research and Development (“R&D”) Incentive

The Group conducts its R&D activities through its wholly-owned subsidiaries in Australia and have been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia. This incentive provides a rate of 43.5% (revised from 45% before 1 July 2016) refundable tax offset for eligible R&D expenditure incurred in Australia by these subsidiaries. In June 2016, Innovation Australia approved the Group’s application to include additional expenditure incurred as eligible R&D expenditure for the purpose of this R&D tax incentive.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

The Group undertook R&D activities in nutraceutical and pharmaceutical product developments, including formulation and manufacturing for clinical trials.

R&D expense was S\$1.20 million in 4Q17 as compared to S\$1.45 million in 4Q16. For the financial year, R&D expense was S\$4.81 million in FY2017 as compared to S\$5.61 million in FY2016. Differences against the comparative periods were principally due to the timing and progress of clinical trials.

Sales and marketing

Sales and marketing expense was S\$1.24 million in FY2017 as compared to S\$0.66 million in FY2016, as the Group began preparing for commercialisation of its products. The increase in sales and marketing expense was mainly due to increase in headcount and marketing efforts in preparation for product launch.

General and administrative

In 4Q17, general and administrative expense increased by S\$0.33 million or 24% mainly due to increase in share based payment expense by S\$0.14 million due to amortisation of the fair value of share awards granted to employees over their vesting periods and S\$0.18 million for other operating expenses.

For FY2017, general and administrative expense of S\$6.36 million was comparable to S\$6.11 million in the previous financial year.

Others

Others consist principally of currency exchange gain/loss and a one-off IPO related expense.

Currency exchange loss was S\$0.44 million in 4Q17 as compared to S\$0.31 million in 4Q16. The losses arose mainly from the weakening of the US dollar against the Singapore dollar for the Group’s US dollar denominated cash deposits.

For FY2017, currency exchange gain was S\$1.06 million as compared to loss of S\$0.89 million in FY2016. The currency exchange gain in FY2017 arose from the strengthening of the US and Australian dollars against the Singapore dollar for the Group’s foreign currency denominated cash deposits and receivables from its subsidiaries.

Review of financial position

Trade and other receivables decreased by S\$1.91 million from FY2016 mainly due to R&D tax incentive receipts of S\$4.13 million for the prior years, and partially offset by additional FY2017 accrued R&D incentive receivable of S\$1.74 million.

Property, plant and equipment was S\$8.19 million, a net increase of S\$0.65 million from S\$7.54 million in FY2016. The increase was attributed to S\$0.98 million of mainly laboratory testing and manufacturing equipment.

Trade and other payables was S\$3.50 million, an increase of S\$0.44 million from S\$3.06 million in FY2016 mainly due to higher operating activities and foreign exchange effect on AUD denominated payables of our Australian subsidiaries.

Current and non-current borrowings were S\$4.75 million, an increase of S\$0.50 million from S\$4.25 million in FY2016, mainly due to increase of S\$0.53 million in bank borrowings by wholly-owned subsidiaries to refinance their plant and equipment.

Cash flow analysis

During 4Q17, cash used in operations amounted to S\$2.85 million and was offset by a R&D tax incentive receipt of S\$2.72 million. As a result, the Group recorded a significantly lower net cash used in operating activities of S\$0.12 million.

In the same quarter, the Group invested S\$0.14 million in new software and plant & equipment principally for laboratory testing and manufacturing purposes.

During FY2017, cash used in operations amounted to S\$8.38 million and was offset by R&D tax incentive receipts of S\$4.13 million. As a result, the Group recorded a net cash used in operating activities of S\$4.16 million.

During the financial year, the Group invested S\$1.12 million to acquire new software and plant & equipment principally for laboratory testing and manufacturing purposes.

The Group raised S\$4.56 million and S\$0.53 million through issue of new shares and loans respectively. Through the Rights Issue, the Group raised a net proceed of S\$5.03 million, of which S\$0.47 million has been received in the fourth quarter ended 30 June 2016 from a shareholder pursuant to its undertaking in relation to the Rights Issue.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

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.

Our clinical studies and major operations are conducted mostly in the United States and Australia, hence fluctuations in USD and AUD currencies will have a financial impact on the Group. The Group will continue to monitor closely the global currency trends and the impact of the foreign exchange fluctuations on its financial position and take risk management measures where appropriate.

Timing and progress of our clinical studies may impact our research and development expenses over the next 12 months. Our multiple dose Phase 2 efficacy study for Wafermine™, KET010, will commence recruitment in August 2017. The primary objective of the study is to demonstrate the multi-dose efficacy of Wafermine™ in pain suppression when compared to placebo. The study plans to enrol 135 patients experiencing acute pain following bunionectomy surgery at a single site in the United States of America. This study will determine the optimal dose(s) to be used in the subsequent pivotal Phase 3 registration studies.

Over the next 12 months, the Group shall be undertaking more marketing activities to promote its products coming into the regional markets. The Group has launched WafeRest™ in Singapore in August 2017 and will continue its effort to engage with the medical community to create product awareness. It also has plans to roll-out WafeRest™ in the region subsequently, subject to obtaining regulatory approvals from respective local authorities where applicable.

With the filing of PheoniX™ with TGA in April 2017, the Group has commenced designing marketing campaigns targeted at the region to promote the sales of this novel product for male erectile dysfunction.

In Australia, continued efforts are made to promote product awareness of Wafermine™ and BnoX™ via trade exhibitions and conferences.

The Group has commenced preparation works to promote and market a new line of supplements addressing specific condition nutraceutical products under its subsidiary Entity Health. Our next-generation nutraceuticals are grounded in innovative scientific technology and formulated with premium grade extracts to promote DNA and cellular repair, skin protection and whitening, joint and liver health, diabetes, weight loss, among others. These nutraceutical products shall be the Group's third business arm complementing its existing Pharmaceuticals business and Chemical Analysis business. Over the next 12 months, the Group expects to increase marketing and manufacturing activities in nutraceutical products.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend has been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the current reporting period.

13. If the group has obtained a general mandate from shareholders for IPTs, 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 for interested person transactions.

14. Use of Proceeds

(a) Initial Public Offer

Pursuant to the IPO, the Company received total proceeds of S\$30.13 million ("IPO Proceeds"). As at 30 June 2017, the IPO Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
To fund the clinical trials for the development of our products, and for preparing and submitting an Abbreviated New Drug Application or New Drug Application as the case may be, to the US Food and Drug Administration for marketing approval and commercialisation of our products in the United States, and where it is commercially viable to do so, in other parts of the world upon receipt of the relevant regulatory approvals	26,200	(7,479)	18,721
General working capital purposes	1,413	(1,413)	-
Listing expenses	2,517	(2,517)	-
Total	30,130	(11,409)	18,721

Details of working capital used:

	S\$'000
Professional fees	326
Payroll and directors' fees	755
Trademark and patents	67
Rental, office expenditure and other operating expenses	265
Total	1,413

The above utilisation of the Company's IPO Proceeds is in accordance with the intended use as stated in the Offer Document dated 10 July 2015.

(b) Private Placement

Pursuant to the private placement of 14,358,000 shares on 21 April 2016, the Company received net proceeds of S\$4.85 million ("Placement Proceeds"). As at 30 June 2017, the Placement Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
Registration of the Company's products with appropriate agencies for approval to sell the products, and for marketing of the Company's products	3,849	(876)	2,973
Acquisition of new product packaging equipment	1,000	(194)	806
Total	4,849	(1,070)	3,779

The above utilisation of the Company's Placement Proceeds is in accordance with the intended use as stated in the Company's announcement dated 14 April 2016.

(c) Rights Issue

Pursuant to the rights issue of 24,584,284 shares on 22 July 2016, the Company received net proceeds of S\$5.03 million ("Rights Proceeds"). As at 30 June 2017, the Rights Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
Development of the Company's pipeline products (including undertaking clinical trials and registration of such products with appropriate agencies for marketing approval) and for marketing of the Company's products	4,028	(1,394)	2,634
Acquisition of new product packaging equipment	1,000	-	1,000
Total	5,028	(1,394)	3,634

The above utilisation of the Company's Rights Proceeds is in accordance with the intended use as stated in the Company's Offer Information Statement dated 24 June 2016.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the listing manual.

The Company has procured undertakings from all its Directors and executive officers under Rule 720(1).

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. 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.

(a) Business segments

The Group's business comprises of the Specialty Pharmaceutical and Chemical Analysis segments. Specialty Pharmaceutical's primary business activities are the development, manufacturing and sale of pharmaceutical products. Chemical Analysis' primary business activities are the provision of laboratory testing services. Other non-operating segment comprises principally corporate and related functions.

Group	Specialty Pharmaceutical		Chemical Analysis		Total	
	FY2017 S\$000	FY2016 S\$000	FY2017 S\$000	FY2016 S\$000	FY2017 S\$000	FY2016 S\$000
Total revenue	49	103	6,332	5,694	6,381	5,797
Adjusted EBITDA	(5,778)	(6,165)	1,232	676	(4,546)	(5,489)

	FY2017 S\$'000	FY2016 S\$'000
Adjusted EBITDA is reconciled to loss before income tax as follows:		
Specialty Pharmaceutical	(5,778)	(6,165)
Chemical Analysis	1,232	676
Other non-reportable segment	(4,127)	(3,739)
	<u>(8,673)</u>	<u>(9,228)</u>
Research and development tax incentive	1,868	3,872
Depreciation	(727)	(425)
Amortisation	(554)	(507)
Currency exchange gains/(losses) - net	1,059	(890)
Share based payment expense	(448)	(412)
Finance expense	(242)	(47)
Interest income	136	34
Initial public offering related expense	-	(180)
Loss before income tax	<u>(7,581)</u>	<u>(7,783)</u>

(b) Geographical segments

The Group's two business segments operate in two geographical areas.

	FY2017 S\$'000	FY2016 S\$'000
Sales		
Singapore	-	-
Australia	6,381	5,797
	<u>6,381</u>	<u>5,797</u>
Non-current assets		
Singapore	259	142
Australia	9,409	9,215
	<u>9,668</u>	<u>9,357</u>

17. 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 paragraph 8 for the analysis of revenue by operating segments.

An analysis of the Group's adjusted EBITDA by business segments consists of:

- (1) the specialty pharmaceutical business with adjusted EBITDA of loss of S\$5.78 million as compared to loss of S\$6.17 million in FY2016. The decrease was principally due to the timing and progress of clinical trials, and partially offset by higher sales and marketing expense as the Group began preparing for commercialisation of its products.
- (2) the chemical analysis business with adjusted EBITDA of S\$1.23 million as compared to S\$0.68 million in FY2016. The higher EBITDA was primarily due to revenue growth from the increase in laboratory testing services.

18. A breakdown of sales as follows:

	Group		
	FY2017	FY2016	Incr / (Decr)
	S\$'000	S\$'000	%
Sales			
- First half year	3,102	3,026	3%
- Second half year	3,279	2,771	18%
	<hr/>	<hr/>	
Operating loss after tax			
- First half year	(1,450)	(4,791)	(70%)
- Second half year	(5,940)	(2,912)	104%
	<hr/>	<hr/>	

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

Not applicable. No dividends have been declared or recommended for the financial years ended 30 June 2017 and 30 June 2016.

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) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Catalist Rules, there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to a director or chief executive officer or substantial shareholder of the Company as at 30 June 2017.

On behalf of the Board of Directors

Eddy Lee Yip Hang
Chairman & CEO

Albert Ho Shing Tung
Non-executive Director

23 August 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement, including the correctness of any the figures used, statements or opinions made.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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