iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 31 DECEMBER 2020

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 Half year ended		
	31.12.20 S$'000	31.12.19 S$'000	Incr/(Decr) %
Revenue	830	294	182%
Cost of sales	(987)	(689)	43%
Gross Loss	**(157)**	**(395)**	(60%)
Other income	924	438	111%
Expenses			
- Research and development	(1,291)	(1,237)	4%
- Sales and marketing	(1,095)	(1,191)	(8%)
- General and administrative	(3,265)	(3,093)	6%
- Others †	2,154	(168)	n.m.
- Finance expense	(82)	(119)	(31%)
Total expenses	(3,579)	(5,808)	(38%)
Loss before income tax	(2,812)	(5,765)	(51%)
Income tax expense	(1)	-	n.m.
Loss for the financial period	**(2,813)**	**(5,765)**	(51%)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation - (Loss)/gain	(1,674)	99	n.m.
Total comprehensive loss	**(4,487)**	**(5,666)**	(21%)

Note

† *Comprises net currency exchange (losses) / gains principally due to unrealised translation differences arising from receivables from subsidiaries.*

n.m. : 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:

Total loss of the Group is arrived at after charging/crediting the following:

		Group		
		Half year ended		
	Note	31.12.20 S$'000	31.12.19 S$'000	Incr/ (Decr) %
After crediting:				
Research and development tax incentive	(i)	619	217	185%
Interest income	(ii)	5	65	(92%)
After charging:				
Share-based payment expense	(iii)	584	284	106%
Depreciation and amortisation expense				
- Property, plant and equipment		342	340	1%
- Right of use assets		189	180	5%
Currency exchange (gains)/losses - net		(2,154)	168	n.m.
Interest expense	(ii)	82	119	(31%)

(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% refundable tax offset for expenditure incurred for eligible R&D activities. (See Note 8 for details.)

(ii) Interest income was lower mainly due to lower cash deposit holding and overall lower interest rates observed during this half year. Interest expense was lower mainly due to the applicable interest rate for our property loan being reduced to lower variable rates since the beginning of this half year.

(iii) The share-based payment expense was due to amortisation of the fair value of the share options granted to employees over the vesting period.

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	
	31.12.20 S$'000	30.06.20 S$'000	31.12.20 S$'000	30.06.20 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	10,085	5,663	9,109	3,593
Trade and other receivables	2,092	1,300	17,736	15,816
Other current assets	188	297	85	206
Inventories	1,195	883	15	-
	13,560	8,143	26,945	19,615
Non-current assets				
Deposits – operating lease	133	105	83	-
Intangible assets	442	447	90	108
Property, plant and equipment	8,479	8,026	183	189
Right of use assets	799	261	776	230
Investments in subsidiaries	-	-	1,966	1,966
	9,853	8,839	3,098	2,493
Total assets	23,413	16,982	30,043	22,108
LIABILITIES				
Current liabilities				
Trade and other payables	2,331	2,824	1,401	1,709
Borrowings	117	216	25	25
Lease liabilities	370	245	349	226
Provision	65	12	-	-
	2,883	3,297	1,775	1,960
Non-current liabilities				
Borrowings	3,641	3,438	43	55
Lease liabilities	427	19	423	6
Provision	17	60	-	-
	4,085	3,517	466	61
Total liabilities	6,968	6,814	2,241	2,021
NET ASSETS	16,445	10,168	27,802	20,087
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	83,220	72,251	83,220	72,251
Other reserves	(226)	1,653	115	320
Accumulated losses	(66,549)	(63,736)	(55,533)	(52,484)
Total equity	16,445	10,168	27,802	20,087

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.

	31.12.20			30.06.20		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Amount repayable in one year or less	370	117	487	245	216	461
Amount repayable after one year	427	3,641	4,068	19	3,438	3,457
Total	**797**	**3,758**	**4,555**	**264**	**3,654**	**3,918**

Unsecured loans are lease liabilities recognised under SFRS(I) 16. Secured loans are bank borrowings and secured over land and building, certain plant and equipment, motor vehicles and certain bank deposits 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 Half year ended	
	31.12.20 S$'000	**31.12.19 S$'000**
Cash flows from operating activities		
Total loss after tax	(2,813)	(5,765)
Adjustments for:		
- Depreciation and amortisation expense	531	520
- Income tax expense	1	-
- Interest income	(5)	(65)
- Interest expense	82	119
- Provision	7	9
- Disposal of property, plant and equipment	(4)	-
- Research and development tax incentive	(619)	(217)
- Share based payment expense	584	284
- Unrealised currency exchange (gains)/losses – net	(1,964)	205
	(4,200)	(4,910)
Changes in working capital:		
- Trade and other receivables	(109)	46
- Other current assets	112	162
- Trade and other payables	(559)	(304)
- Inventories	(257)	(1)
Cash used in operations	(5,013)	(5,007)
Interest received	1	49
Research and development tax incentive received	-	742
Net cash used in operating activities	(5,012)	(4,216)
Cash flows from investing activities		
Additions to property, plant and equipment	(323)	(398)
Additions to intangible assets	-	(10)
Disposal of property, plant and equipment	45	-
Net cash used in investing activities	(278)	(408)
Cash flows from financing activities		
Decrease in fixed deposits pledged	622	-
Proceeds from issuance of ordinary shares	10,180	-
Repayment of borrowings	(123)	(178)
Principal payment of lease liabilities	(195)	(103)
Interest paid	(82)	(119)
Net cash from/(used in) financing activities	10,402	(400)
Net increase/(decrease) in cash and cash equivalents	5,112	(5,024)
Cash and cash equivalents		
Beginning of financial period	4,470	14,709
Effects of currency translation on cash and cash equivalents	(117)	(62)
End of financial period	9,465	9,623

Note:

A. Cash and cash equivalents comprise the following:

	Group 31.12.20 S$'000	**Group 31.12.19 S$'000**
Cash and cash equivalents in Balance Sheet	10,085	10,780
Less: Bank deposits pledged	(620)	(1,157)
Cash and cash equivalents per consolidated statement of cash flows	9,465	9,623

Bank deposits are pledged as security for credit facilities.

B. Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	1 Jul 2020	Principal and interest payments	Adoption of SFRS(I) 16	Interest expense	Foreign exchange movement	31 Dec 2020
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank borrowings	3,654	(200)	-	77	227	3,758
Lease liabilities	264	(200)	726	5	2	797

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.

	Attributable to equity holders of the Company				
Group	**Share capital**	**Share based payment reserve**	**Currency translation reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2020	72,251	320	1,333	(63,736)	10,168
Loss for the period	-	-	-	(2,813)	(2,813)
Other comprehensive loss for the period	-	-	(1,674)	-	(1,674)
Total comprehensive loss for the period	-	-	(1,674)	(2,813)	(4,487)
Share based payment scheme					
- Value of employees' services	-	584	-	-	584
- Shares issued pursuant to iX Performance Share Plan	789	(789)	-	-	-
Shares issued pursuant to private placement, net of transaction cost	10,180	-	-	-	10,180
Total transactions with owners, recognised directly in equity	10,969	(205)	-	-	10,764
At 31 December 2020	**83,220**	**115**	**(341)**	**(66,549)**	**16,445**
At 1 July 2019	71,525	508	1,703	(53,237)	20,499
Loss for the period	-	-	-	(5,765)	(5,765)
Other comprehensive gain for the period	-	-	99	-	99
Total comprehensive gain/(loss) for the period	-	-	99	(5,765)	(5,666)
Share based payment scheme					
- Value of employees' services	-	284	-	-	284
- Shares issued pursuant to iX Performance Share Plan	726	(726)	-	-	-
Total transactions with owners, recognised directly in equity	726	(442)	-	-	284
At 31 December 2019	**72,251**	**66**	**1,802**	**(59,002)**	**15,117**

	Attributable to equity holders of the Company			
Company	**Share capital**	**Share based payment reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000
At 1 July 2020	72,251	320	(52,484)	20,087
Loss for the period	-	-	(3,049)	(3,049)
Total comprehensive loss for the period	-	-	(3,049)	(3,049)
Share based payment scheme				
- Value of employees' services	-	584	-	584
- Shares issued pursuant to iX Performance Share Plan	789	(789)	-	-
Shares issued pursuant to private placement, net of transaction cost	10,180	-	-	10,180
Total transactions with owners, recognised directly in equity	10,969	584	-	10,764
At 31 December 2020	**83,220**	**115**	**(55,533)**	**27,802**
At 1 July 2019	71,525	508	(45,530)	26,503
Loss for the period	-	-	(3,655)	(3,655)
Total comprehensive loss for the period	-	-	(3,655)	(3,655)
Share based payment scheme				
- Value of employees' services	-	284	-	284
- Shares issued pursuant to iX Performance Share Plan	726	(726)	-	-
Total transactions with owners, recognised directly in equity	726	(442)	-	284
At 31 December 2019	**72,251**	**66**	**(49,185)**	**23,132**

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, subdivision, consolidation, 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.

	Half year ended 31.12.20	
Company	**No. of ordinary shares**	**Amount**
		S$'000
At beginning of period	648,894,390	72,251
Shares issued pursuant to		
- Private placement	44,491,299	10,180
- iX Performance Share Plan	3,467,334	789
At end of period	**696,853,023**	**83,220**

On 10 September 2020, the Company completed a private placement of 44,491,299 ordinary shares for a net consideration of $10.18 million.

On 23 October 2020, the Company announced total awards of 3,433,334 shares to certain employees and executives under iX Performance Share Plan. No award was granted to a Director or controlling shareholder (and each of their associates). The Company has not granted any options under iX Employee Share Option Scheme since its inception.

On 30 October and 20 November 2020, the Company issued 3,467,334 ordinary shares in aggregate pursuant to iX Performance Share Plan. No share was issued to a Director or controlling shareholder (and each of their associates).

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.

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
As at 31 December 2020		
iX Performance Share Plan	2,350,000	2,350,000
As at 31 December 2019		
iX Performance Share Plan	2,384,000	2,384,000

There were no treasury shares and subsidiary holdings as at 31 December 2020 and 31 December 2019.

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 31 December 2020, the number of issued shares excluding treasury shares was 696,853,023 (30 June 2020: 648,894,390).

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. There were no subsidiary holdings during and as at the end of the current financial period reported on.

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 modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:
(a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.
This is not required for any audit issue that is a material uncertainty relating to going concern.

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 2020.

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)) and Interpretations of SFRS(I) (INT SFRS(I)) that are mandatory for the accounting periods beginning on or after 1 July 2020. The adoption of these new and revised SFRS(I) and INT SFRS(I) 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 Half year ended	
	31.12.20	31.12.19
Net loss attributable to equity holders of the Company (S$'000)	(2,812)	(5,675)
Weighted average number of shares outstanding ('000)	678,046	645,693
Basic loss per share (Cents per share)	(0.41)	(0.89)

The Company has 2,350,000 share awards under iX Performance Share Plan (31 December 2019: 2,384,000 shares awards) which could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted loss per share above because they are antidilutive and having the effect of decreasing the loss per share. 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	
	31.12.20	30.06. 20	31.12.20	30.06. 20
Net asset value per ordinary share (in cents)	2.4	1.6	4.0	3.1

The net asset value per ordinary share of the Group and the Company as at 31 December 2020 were calculated based on the total number of issued shares of 696,853,023 (30 June 2020: 648,894,390).

There were no treasury shares as at 31 December 2020 and 30 June 2020.

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 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. The Group's nutraceuticals division, Entity Health, is engaged in the development and commercialisation of nutraceutical products that address specific health conditions and improve quality of lifestyles throughout all phases of life.

During the half year ended 31 December 2020 (1H21), against the backdrop of the COVID-19 pandemic, the Group has continued to progress the development of its pharmaceutical product pipeline and the commercialisation of its nutraceutical products. Whilst the impact of COVID-19 in the period was mainly in delays of our planned manufacturing capacity upgrade and concluding commercial deals, the prolongation of the pandemic and increasing uncertainty in the business environment may lead to a wider impact on the Group.

Wafermine

Wafermine is the world's first sublingual ketamine to be developed for moderate to severe acute pain. In addition to the treatment of pain, Wafermine is Phase 2-ready for major depressive disorder (MDD). In recent decades, racemic ketamine has also proven to be effective for treatment-resistant depression (TRD).

In November 2020, we received endorsement from the European Medicines Agency (EMA) in its Scientific Advice to the Company regarding its Phase 3 clinical development programme for pain. With the successful outcome of the EMA Scientific Advice and End-of-Phase 2 meeting with the US FDA, the Company has now reached consensus with the regulators of the major markets of Europe and the United States on the remaining clinical development required to support the approval of Wafermine in those markets. This consensus provides clarity to the costs and timeline of the Phase 3 programme and positions the Company well to continue out-licensing discussions with potential licensees.

During the period, we have been engaging with multiple pharmaceutical companies based in US and EU who indicated significant interests following their commercial evaluation of Wafermine in the markets that they operate in. Although discussions are progressing, due to border closures and restrictions on face-to-face-meetings, we expect certain parts of the out-licensing process particularly those requiring physical presence and verifications, to take longer to complete.

Wafermine is currently supplied to hospitals in Australia under Schedule 5A of the Therapeutic Goods Regulations (TGR) as an unregistered medicine.

Xativa and Medicinal Cannabis

In addition to Xativa 12.5mg, the Group launched Xativa 25mg in 1H21, the second CBD (cannabidiol) product in its medicinal cannabis range. The Xativa range is available as an unregistered medicine by doctors' prescription under the Special Access Scheme and Authorised Prescriber pathway in Australia. Xativa is currently prescribed by doctors for a wide variety of conditions including treating anxiety, relieving pain, reducing inflammation, and improving sleep quality, among other conditions, to patients who are not effectively treated with other drugs.

Xativa contains CBD delivered using the Group's patented WaferiX sublingual delivery technology and is a highly differentiated and superior dosage form that improves bioavailability of CBD, providing patients with rapid absorption, faster therapeutic action and predictable outcome. Most delivery forms available in the market today suffer from the lack of fixed unit dosages, inconsistent absorption and variable or poor bioavailability to truly provide an effective therapeutic effect for

users. Leveraging on our WaferiX technology, the Group developed Xativa to address this gap in the market.

Xativa has garnered enthusiastic response from doctors and patients who have acknowledged its differentiating qualities from other existing products available in the market. In 1H21, Xativa clinched the "CBD Product of the Year" accolade presented by the Cannabis Industry Awards 2020 in Australia. The Cannabis Industry Awards recognises cannabis pioneers, professionals and corporations who contribute to the social progression and innovation of the fast- growing cannabis industry in Australia.

Next, the Group, as one of six companies, will be participating in the newly launched Cannabis Medicine Observation Study (CMOS) in Australia with Applied Cannabis Research. The study, the largest of its kind in Australia, aims to collect data from 20,000 patients nationwide within five years from medical centres, prescribing GP's and specialists. Each patient enrolled in the study will be required to pay for the products and will be monitored for a 12-month period. The study will assess the safety and efficacy of medicinal cannabis products, from these participating companies, across a variety of medical conditions. The Group will, be supplying Xativa and, introduce future products as and when they become available. The study is an opportunity for the Group to progressively collect valuable data that can be used to support regulatory approvals of our products.

Xativa is distributed in Australia through both wholesale distribution channels and directly to retail pharmacies. The Group regularly conducts doctor education and product training to familiarise them with Xativa and our WaferiX technology.

The Group has received commercial interest to sell our medicinal cannabis range from New Zealand and UK distributors. The Group is working on the regulatory requirements to distribute in such markets.

Wafesil and Silcap

In October 2020 we received marketing approval and registration of Silcap, a capsule sildenafil drug, for the treatment of male erectile dysfunction from the Health Sciences Authority in Singapore. Following the approval, we are preparing for marketing launch of Silcap in Singapore. As sildenafil drugs are classed as prescription medication in Singapore, Silcap will be supplied to the local market via licensed medical practitioners.

Wafesil, a sublingual sildenafil wafer for the treatment of male erectile dysfunction, and Silcap, are also registered with the TGA and sold in Australia through telemedicine and pharmacy channels.

The Company has applied for registration of Wafesil in Europe with EMA and the application is currently under evaluation.

BnoX

BnoX is a novel, sublingual buprenorphine wafer developed for the management of acute and chronic moderate to severe pain. Despite the current opioid crisis, there has been a continuing reliance on opioids to treat moderate to severe pain due to a lack of effective alternatives. As a consequence, there has been increasing recognition and focus on opioids which have a far favourable safety profile, such as buprenorphine.

BnoX is currently being supplied to hospitals in Australia under Schedule 5A of the TGR as an unregistered medicine.

Nutraceuticals – Entity Health

Entity nutraceuticals, unlike generic vitamins and minerals, are designed to produce beneficial and perceptible improvement to specific conditions, which forms an important part of a healthcare strategy to minimise the risk of developing more serious diseases. The Group sells Entity products in more than 250 pharmacies and health food shops across major cities in Australia.

Entity launched two flagship stores on Tmall Global and JD Worldwide in April 2020. Entity has seen significant growth of demand for LumeniX, an innovative sublingual beauty supplement, and its NAD products RestoriX and MetaboliX Plus, nicotinamide supplements designed to boost NAD+

(nicotinamide adenine dinucleotide) levels in the body, from Chinese customers during the Single's Day sales event in November 2020 as compared to the June 618 sales event.

Entity has engaged an experienced third-party agency to operate its stores and market its products to the Chinese consumers. We focus our marketing on LumeniX and RestoriX. To-date we have invested in in-site marketing using tools such as short messaging, search engine optimisation and banner advertisements, and by partnering with influencers to market on other popular platforms such as Little Redbook, Wechat and Weibo.

Review of performance for half year ended 31 December 2020 (1H21)

Revenue	1H21	1H20	Incr/ (Decr)
	S$'000	S$'000	%
Specialty Pharmaceutical	342	161	112%
Nutraceuticals	488	133	267%
Total revenue	**830**	**294**	**182%**

Total revenue in 1H21 increased by S$0.54 million or 182% across both business segments over the comparative half year ended 31 December 2019 (1H20).

Sales of our pharmaceutical products, such as Xativa and Wafermine, and manufacturing services more than doubled our specialty pharmaceutical's total revenue in 1H21 as compared to 1H20.

Entity Health, our nutraceutical segment, more than tripled its revenue in 1H21 over 1H20 mainly from its flagship stores on Tmall Global & JD Worldwide launched in April 2020. LumeniX, RestoriX and MetaboliX Plus had strong sales on both ecommerce platforms during the Single's Day sales event in November 2020.

The Group's cost of sales was S$0.99 million in 1H21 as compared to S$0.69 million in 1H20 which is largely in line with the increase in revenue. The cost of sales also includes the cost of manufacturing which consists of personnel, material and other fixed overheads.

The Group further lowered its gross loss in 1H21 as compared to 1H20 mainly due to higher revenue and favourable mix of higher margin products.

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

The Group conducts its R&D activities through its wholly owned subsidiaries in Australia and has been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office (ATO) and Innovation Australia. This incentive provides a rate of 43.5% tax rebate for eligible R&D expenditure incurred in Australia by these subsidiaries. Higher incentive in 1H21 was due to accrual for additional incentive relating to FY2019 R&D activities that was finalised and received from ATO subsequently in January 2021.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

During the periods, R&D activities were focused on new product development for our medicinal cannabis range, pharmaceuticals and nutraceuticals as well as enhancements to certain products.

Sales and marketing

Since launching Entity on Tmall Global and JD Worldwide, we have rationalised our headcount and advertising activities in Australia and focused our marketing activities on both ecommerce platforms in China. We have also reduced travelling and customer entertainment expenses in 1H21. As a result, overall sales and marketing expense in 1H21 is lower as compared to that in 1H20.

General and administrative (G&A)

Despite reductions in travel and personnel related expenses as compared to 1H20, G&A expenses increased mainly due to higher employee share-based compensation awards announced in October 2020.

Others

During 1H21, we observed another volatile period in currency exchange rates, particularly in Australian dollar. The appreciation of the Australian dollar against the Singapore dollar in December 2020 favoured our cash holding and receivables from our subsidiaries, denominated in Australian dollar, significantly. As a result, we recorded $2.15 million gain in currency exchange in 1H21.

Review of financial position

Current assets of the Group increased to S$13.56 million from S$8.14 million, principally in our cash and cash equivalents and receivables. The increase in cash and cash equivalent was mainly due to net proceeds of S$10.18 million received from private placement offset by cash outflow from operating activities and the purchase of manufacturing equipment. Receivables increased mainly due to additional accrual of R&D incentives for the Group and advances to subsidiaries for the Company.

Current liabilities of the Group decreased to S$2.88 million from S$3.30 million. The decrease was mainly due to payment of submission fee for registration of Wafesil in Europe and payables.

During the period, the Company exercised its options to extend the leases of its office and staff accommodation for another two years and adjusted the right of use assets and lease liabilities accordingly for the Group and the Company.

During the period, we repaid some S$0.12 million of borrowings but, due to appreciation of the Australian dollar, our total borrowings increased to S$3.76 million from S$3.65 million.

Cash flow analysis

Given the improved revenue and lower cash operating expenses, the Group recorded a lower cash used in operating activities before changes in working capital and taxes of S$4.20 million during 1H21 (1H20: S$4.91 million). Payments for submission fee for registration of Wafesil in Europe accrued in the previous year, additional inventories and a delay in the receipt of R&D tax incentive resulted in a higher net cash used in operating activities at S$5.01 million in 1H21 (1H20:S$4.22 million).

The Group paid S$0.32 million in 1H21, principally for installation of freeze-drying related equipment.

The Group received net proceeds of S$10.18 million from the private placement of 44.49 million shares in September 2020. This was offset by repayments of borrowings, lease liabilities and interest totalling S$0.40 million. During 1H21, a pledged fixed deposit of $0.62 million was released by our bank.

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.

COVID-19

The prolongation of the pandemic and increasing uncertainty in the business environment may lead to a wider impact on the Group.

Delays to our production capacity upgrade had resulted in supply constraints as the demand for competing wafer products, in particular LumeniX and Xativa, exceeded our current capacity. We have made alternative arrangements with our supplier to install the freeze-drying equipment and

expect the production capacity upgrade to be completed at the earliest in April 2021, barring any further major disruption or unforeseen circumstances.

In Australia, any movement restriction orders imposed by the Federal and State governments is likely to have a direct impact on retail foot traffic in the pharmacies and affect our sales in pharmacies. Such restrictions will also limit face-to-face sales calls and training meetings to be conducted with pharmacists and doctors as businesses seek to limit physical interactions in their stores and clinics. Whilst we have tried to minimise the impact and have initiated on-line meetings and trainings to doctors and pharmacists, the Group's ability to expand the sales of its nutraceutical products and medicinal cannabis products through pharmacies and clinics may be hindered to a considerable extent.

In addition to Australia, other markets of interest to our Group such as the US, EU and the UK have been severely impacted by the pandemic. Due to increasing uncertainties in the business environment, some companies may temporarily postpone committing to any substantial transactions.

Supply chain disruptions have led to increased costs and created intermittent logistical difficulties for the Group. Certain raw material costs have increased due to COVID-19 impacting our upstream suppliers. Uncertainties in transportation and freight schedules may result in longer lead-time in our procurement and delivery processes.

As health agencies globally prioritise their resources on COVID-19 related matters, this may lead to lengthening of review and approval timelines of the Group's products that have been or will be submitted for review.

Wafermine

In November 2020, we received endorsement from the European Medicines Agency (EMA) in its Scientific Advice to the Company regarding its Phase 3 clinical development programme for pain. With the successful outcome of the EMA Scientific Advice and End-of-Phase 2 meeting with the US FDA, the Company has now reached consensus with the regulators of the major markets of Europe and the United States on the remaining clinical development required to support the approval of Wafermine in those markets. This consensus provides clarity to the costs and timeline of the Phase 3 programme and positions the Company well to continue out-licensing discussions with potential licensees.

Out-licensing Wafermine is a strategy that will allow us to fully unlock the value of the drug. A suitable partner will enable the Company to tap into its resources to fund, and expertise to run and complete, Phase 3 clinical development and obtain marketing approval for Wafermine. The Group can then access markets through its partners' infrastructure and sales networks to manage the commercialisation of the product more effectively. Although discussions on out-licensing of Wafermine are progressing, due to border closures and restrictions on face-to-face-meetings, we expect that certain parts of the process requiring physical presence and verifications will take longer to complete.

Xativa & Medicinal Cannabis

In April 2020, we launched Xativa 12.5mg, a sublingual medicinal cannabis wafer containing CBD (cannabidiol) in Australia. Xativa 25mg was subsequently launched in 1H21. Xativa is available as an unregistered medicine by doctors' prescription under Special Access Scheme (SAS) and Authorised Prescriber pathway in Australia. We distribute Xativa via cannabis distributors such as Cannatrek Ltd or directly to pharmacies.

According to analysts, the legal medicinal cannabis market in Australia and New Zealand will be valued at US$1.55 billion in 2024[1]. In Australia, more than 24,000 prescriptions were approved by the TGA within the last four months of 2020. According to the TGA, applications were approved to use medicinal cannabis for a range of indications including pain, anxiety, insomnia, epilepsy, palliative care and spasticity from neurological conditions.

[1] Prohibition Partners, 2020, "The Oceania Cannabis Report, Second Edition, April 2020"

In December 2020, the occurrence of two major developments recognises the therapeutic potential for cannabis:

Firstly, the Australian TGA announced its final decision to down-schedule low dose CBD preparations from Schedule 4 (Prescription Medicine) to Schedule 3 (Pharmacist Only Medicine). The decision will allow TGA approved low-dose CBD products, up to a maximum of 150 mg/day, for use in adults, to be supplied over-the-counter by a pharmacist, without a prescription. We expect that this decision will result in registered CBD products being more widely accessible in pharmacies which may result in a greatly expanded market size. In view of the above, the Group has commenced preparations to support the registration of Xativa with TGA.

Secondly, the United Nations Commission on Narcotic Drugs (UN CND), the UN's central drug policy-making body, voted to remove cannabis from the Schedule IV of the 1961 Single Convention on Narcotic Drugs (where it was listed for 59 years alongside deadly, addictive opioids including heroin) where the strictest control measures apply, to generally discourage its use for medical purposes. This action has the potential to stimulate global research into the therapeutic potential and public health effects of cannabis. Following UN CND's decision, the European Commission ruled that CBD would not be classified as a narcotic drug and confirmed that CBD consumables will be evaluated as food products under the Novel Foods regime.

The Group plans to introduce other medicinal cannabis products containing THC (tetrahydrocannabinol) and CBD in various combinations and dosages to broaden the range to serve more patients. This will allow us to target and penetrate deeper, the entire addressable medicinal cannabis market.

Entity Health

Since the 2018 launch of Entity, the Group's nutraceuticals line, in Australia, we focused on penetrating the Australian market to establish Entity as a homegrown Australian health supplements brand. Australian-made health supplements are regarded by Chinese consumers as the gold standard of healthcare products due to Australia's reputation for safety and quality. Today, Entity products are sold in more than 250 pharmacies and health food stores in all major Australian cities.

In April 2020, we launched Entity flagship stores on JD Worldwide and Tmall Global. JD and Tmall are the two largest e-commerce platforms in China, commanding over 85% of the total B2C e-commerce market in China. Through these platforms, we are able to sell our nutraceutical products to the China consumers from Australia without lengthy and costly registration procedures to sell within the country. Chinese consumers have demonstrated an appetite for novel and sophisticated products which characterise the Entity line of nutraceuticals.

In the next 12 months we will continue to prioritise growing the market share for Entity products in China through cross-border e-commerce. We intend to introduce new products in categories popular or growing with China consumers, focusing on leveraging our unique, patented WaferiX sublingual technology to produce well-differentiated and scientifically advanced products that resonate with Chinese consumers.

Leverage WaferiX as a platform to develop new products

The WaferiX technology is a broadly applicable and highly versatile drug delivery platform. The technology consists of a rapidly disintegrating, fast-dissolving sublingual wafer designed to increase bioavailability and absorption of actives through the blood vessels under the tongue, to provide patient benefits of faster onset of therapeutic action and predictable and consistent dosing.

WaferiX has the ability to create market differentiation in response to expiring patents, generic encroachment, and declining new drug pipeline. We have identified certain conditions and actives that have the potential to benefit from WaferiX and have now built up a product pipeline for future development. In addition to developing our own pipeline of WaferiX products, there are significant opportunities to partner with other pharmaceutical companies.

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 as the Company is in a loss position.

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 - Private Placement

Pursuant to the private placement of 44,491,299 ordinary shares, the Company received net proceeds of S$10.18 million ("Placement Proceeds"). As at 31 December 2020, the Placement Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S$'000	**S$'000**	**S$'000**
To fund the development, manufacturing and marketing activities required for our pharmaceutical and nutraceutical products in the pipeline	6,108	(993)	5,115
General working capital purposes	4,072	(916)	3,156
Total	**10,180**	**(1,909)**	**8,271**

Details of working capital used:	**S$'000**
Professional fees	126
Payroll and directors' fees	373
Trademark and patents	59
Rental, office expenditure and other operating expenses	358
Total	**916**

The above utilisation of the Placement Proceeds is in accordance with the intended use as stated in the Company's announcement dated 28 July 2020.

15. Negative confirmation pursuant to Rule 705(5) of the listing manual.

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the half year ended 31 December 2020 to be false or misleading in any material aspect.

16. 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).

On behalf of the Board of Directors

Eddy Lee Yip Hang
Chairman & CEO

Albert Ho Shing Tung
Non-executive Director

9 February 2021

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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.

The contact person for the Sponsor is Mr. Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.