HYPHENS PHARMA INTERNATIONAL LIMITED
(Company Registration No. 201735688C)

Condensed Interim Financial Statements

For the six months ended 30 June 2023

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A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group 6 months ended 30 June 2023 $'000	Group 6 months ended 30 June 2022 $'000	Change %
Revenue	4	74,711	80,704	(7.4)
Cost of sales		(46,692)	(49,627)	(5.9)
Gross profit		28,019	31,077	(9.8)
Other income and gains		365	343	6.4
Distribution costs		(17,180)	(16,874)	1.8
Administrative expenses		(6,485)	(6,197)	4.6
Finance costs		(155)	(66)	>100.0
Other losses		(705)	(683)	3.2
Share of profit of an equity-accounted associate		327	230	42.2
Profit before tax	6	4,186	7,830	(46.5)
Income tax expense	7	(661)	(1,589)	(58.4)
Profit for the financial period, net of tax		3,525	6,241	(43.5)
<u>Other comprehensive loss:</u>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations, net of tax		(318)	(1)	>100.0
Other comprehensive loss for the period		(318)	(1)	>100.0
Total comprehensive income		3,207	6,240	(48.6)
Profit (Loss) attributable to:				
Equity holders of the parent		3,568	6,162	
Non-controlling interests		(43)	79	
Total comprehensive income (loss) attributable to:				
Equity holders of the parent		3,246	6,161	
Non-controlling interests		(39)	79	
Earnings per share for profit for the period attributable to equity holders of the parent				
Earnings per share currency unit		**Cents**	**Cents**	
Basic				
Continuing operations		1.15	2.00	
Diluted				
Continuing operations		1.15	1.99	

B. Condensed Interim Statements of Financial Position

	Notes	Group		Company	
		30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Plant and equipment	11	2,171	3,017	17	37
Intangible assets	10	19,006	19,072	–	–
Investment in subsidiaries		–	–	19,886	19,886
Investment in an associate		2,829	2,667	–	–
Deferred tax assets		174	61	–	–
Total non-current assets		24,180	24,817	19,903	19,923
Current assets					
Inventories	13	23,807	21,260	–	–
Trade and other receivables	12	32,992	31,106	24,628	20,678
Prepayments		1,225	806	47	174
Cash and cash equivalents		33,127	36,480	2,548	4,656
Total current assets		91,151	89,652	27,223	25,508
Total assets		115,331	114,469	47,126	45,431
EQUITY AND LIABILITIES					
Equity					
Share capital	15	35,216	35,083	35,216	35,083
Retained earnings		43,896	43,760	11,356	8,714
Other reserves		(10,171)	(9,816)	–	–
Equity attributable to equity holders of the parent		68,941	69,027	46,572	43,797
Non-controlling interests		1,516	1,245	–	–
Total equity		70,457	70,272	46,572	43,797
Non-current liabilities					
Deferred tax liabilities		737	793	–	–
Other financial liabilities, non-current	14	2,651	3,330	–	–
Total non-current liabilities		3,388	4,123	–	–
Current liabilities					
Income tax payable		2,192	2,657	–	14
Trade and other payables		37,420	35,077	554	1,620
Other financial liabilities, current	14	1,874	2,340	–	–
Total current liabilities		41,486	40,074	554	1,634
Total liabilities		44,874	44,197	554	1,634
Total equity and liabilities		115,331	114,469	47,126	45,431

C. Condensed Interim Statements of Changes in Equity

	Total equity	Non-controlling interests	Total	Share capital	Retained earnings	Other reserves
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Current period:						
Balance at 1 January 2023	70,272	1,245	69,027	35,083	43,760	(9,816)
Issue of share capital to non-controlling interests in subsidiaries	277	310	(33)	–	–	(33)
Issue of new shares pursuant to share awards under Hyphens Share Plan	133	–	133	133	–	–
Total comprehensive income for the period	3,207	(39)	3,246	–	3,568	(322)
Dividends paid (Note 8)	(3,432)	–	(3,432)	–	(3,432)	–
Balance at 30 June 2023	70,457	1,516	68,941	35,216	43,896	(10,171)
Previous period:						
Balance at 1 January 2022	54,736	–	54,736	35,083	34,609	(14,956)
Issue of share capital to non-controlling interests in subsidiary	6,100	1,187	4,913	–	(131)	5,044
Total comprehensive income for the period	6,240	79	6,161	–	6,162	(1)
Dividends paid (Note 8)	(2,069)	–	(2,069)	–	(2,069)	–
Balance at 30 June 2022	65,007	1,266	63,741	35,083	38,571	(9,913)

	Total	Share capital	Retained earnings
	$'000	$'000	$'000
Company			
Current period:			
Balance at 1 January 2023	43,797	35,083	8,714
Issue of new shares pursuant to share awards under Hyphens Share Plan	133	133	–
Total comprehensive income for the period	6,074	–	6,074
Dividends paid (Note 8)	(3,432)	–	(3,432)
Balance at 30 June 2023	46,572	35,216	11,356
Previous period:			
Balance at 1 January 2022	42,275	35,083	7,192
Total comprehensive loss for the period	(17)	–	(17)
Dividends paid (Note 8)	(2,069)	–	(2,069)
Balance at 30 June 2022	40,189	35,083	5,106

D. Condensed Interim Consolidated Statement of Cash Flows

	Group	
	6 months ended 30 June 2023	**6 months ended 30 June 2022**
	$'000	**$'000**
Cash flows from operating activities		
Profit before tax	4,186	7,830
Adjustments for:		
Amortisation of intangible assets	303	307
Depreciation of plant and equipment	1,025	1,034
Interest income	(175)	(9)
Interest expense	155	66
(Gain) Loss on disposal of plant and equipment	(7)	5
Share of profit of an equity-accounted associate	(327)	(230)
Net effect of exchange rate changes in consolidating foreign operations	(160)	94
Operating cash flows before changes in working capital	5,000	9,097
Trade and other receivables	(1,886)	(2,022)
Prepayments	(419)	267
Inventories	(2,547)	4,590
Trade and other payables	3,370	(2,885)
Net cash flows from operations	3,518	9,047
Income taxes paid	(1,293)	(842)
Net cash flows from operating activities	2,225	8,205
Cash flows from investing activities		
Acquisition of subsidiaries, consideration adjustment	–	179
Dividend received from an associate	–	58
Proceed from disposal of shares in an associate	–	27
Purchase of plant and equipment (Note A)	(127)	(396)
Purchase of intangible assets	(846)	(42)
Proceed from sales of plant and equipment	7	–
Interest received	175	9
Net cash flows used in investing activities	(791)	(165)
Cash flows from financing activities		
Dividends paid to equity owners	(3,432)	(2,069)
Payment of principal portion of lease liabilities	(575)	(527)
Interest paid	(155)	(66)
Repayment of borrowings	(625)	(2,495)
Issue of shares to non-controlling interests of a subsidiary (Note B)	–	6,100
Net cash flows (used in) from financing activities	(4,787)	943
Net (decrease) increase in cash and cash equivalents	(3,353)	8,983
Cash and cash equivalents, at beginning of the period	36,480	19,461
Cash and cash equivalents, at end of the period	33,127	28,444

E. Notes to Condensed Interim Consolidated Statement of Cash Flows

A. Purchase of plant and equipment

	1H2023	1H2022
	$'000	$'000
Acquisition of certain assets under plant and equipment under lease contracts	55	79

B. Investment in subsidiary by non-controlling interests through subscription of new shares in subsidiary

A restructuring exercise was completed on 27 May 2022 to transfer the shareholding of Pan-Malayan Pharmaceuticals Pte Ltd to DocMed Technology Pte. Ltd. ("DocMed"). On 6 June 2022, new ordinary shares and Series A Preference Shares were issued to a director of DocMed and non-controlling interests for $100,000 and $6,000,000 respectively. This reduced the Group's equity interest in DocMed and its subsidiary from 100% to 89.76%.

F. Notes to the Condensed Interim Consolidated Financial Statements

1. General

Hyphens Pharma International Limited (the "Company") is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Catalist Board (the "Catalist") of Singapore Exchange Securities Trading Limited.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 are presented in Singapore dollars (which is the Company's functional currency) and they cover the Company (referred to as "parent") and the subsidiaries (collectively, the "Group").

The Company's principal activities are those of an investment holding company and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 4 on segment and revenue information.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2023 ("1H2023") have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses. Actual results could differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 4 - Revenue recognition

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 10 - Assessment of impairment of goodwill
- Note 12 - Expected credit loss allowance on trade receivables
- Note 13 - Allowance on inventories

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

(1) Specialty pharma principals segment ("Specialty pharma principals") which is in the business of marketing and selling a range of specialty pharmaceutical products with exclusivity in the relevant ASEAN countries.

(2) Proprietary brands segment ("Proprietary brands") which is in the business of developing, marketing and selling its own proprietary range of dermatological products and health supplement products.

(3) Medical hypermart and digital segment ("Medical hypermart and digital") which is a wholesaler of pharmaceuticals and medical supplies in Singapore, which the Group positions itself as a medical hypermart for healthcare professionals, healthcare institutions and retail pharmacies.

These operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. They are managed separately because each business requires different strategies.

4.1 Reportable segments

4.1.1 Profit or loss from continuing operations and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	1H2023 $'000	1H2022 $'000	1H2023 $'000	1H2022 $'000	1H2023 $'000	1H2022 $'000	1H2023 $'000	1H2022 $'000	1H2023 $'000	1H2022 $'000
Revenue by segment										
Total revenue by segment	41,997	48,226	11,814	10,828	20,900	21,650	–	–	74,711	80,704
Total revenue	41,997	48,226	11,814	10,828	20,900	21,650	–	–	74,711	80,704
EBITDA	3,934	6,889	1,376	1,363	414	874	(55)	111	5,669	9,237
Finance costs	–	–	–	–	–	–	(155)	(66)	(155)	(66)
Depreciation and amortisation	(104)	(105)	(198)	(202)	–	–	(1,026)	(1,034)	(1,328)	(1,341)
Profit (loss) before tax	3,830	6,784	1,178	1,161	414	874	(1,236)	(989)	4,186	7,830
Income tax expense									(661)	(1,589)
Profit net of tax									3,525	6,241

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

4.1.2 Assets and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total assets for reportable segments	40,825	39,872	20,841	19,211	13,136	11,429	–	–	74,802	70,512
Unallocated:										
Plant and equipment	–	–	–	–	–	–	2,171	3,017	2,171	3,017
Investment in an associate	–	–	–	–	–	–	2,829	2,667	2,829	2,667
Prepayments	–	–	–	–	–	–	1,225	806	1,225	806
Cash and cash equivalents	–	–	–	–	–	–	33,127	36,480	33,127	36,480
Other receivables	–	–	–	–	–	–	1,177	987	1,177	987
Total Group assets	40,825	39,872	20,841	19,211	13,136	11,429	40,529	43,957	115,331	114,469

4.1.3 Liabilities and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total liabilities for reportable segments	18,985	17,521	4,266	4,769	11,840	8,989	–	–	35,091	31,279
Unallocated:										
Income tax payable	–	–	–	–	–	–	2,192	2,657	2,192	2,657
Financial liabilities	–	–	–	–	–	–	4,525	5,670	4,525	5,670
Trade and other payables	–	–	–	–	–	–	3,066	4,591	3,066	4,591
Total Group liabilities	18,985	17,521	4,266	4,769	11,840	8,989	9,783	12,918	44,874	44,197

4.1.4 Other material items and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	1H2023	1H2022	1H2023	1H2022	1H2023	1H2022	1H2023	1H2022	1H2023	1H2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Allowance for impairment on trade receivables and inventories loss	(1)	120	188	242	80	74	–	–	267	436
Expenditures for non-current assets	212	–	24	42	–	–	181	475	417	517

4.2 Disaggregation of revenue

	Group	
	1H2023	1H2022
	$'000	$'000
Types of goods or service:		
Sale of goods	74,270	80,339
Commission income	192	179
Marketing services fee and advertisement	247	184
Other revenue	2	2
Total revenue	74,711	80,704
Geographical information:		
Singapore	41,618	42,492
Vietnam	19,763	27,194
Malaysia	7,730	7,251
Others	5,600	3,767
Total revenue	74,711	80,704

Judgement is required in determining when the control of the inventories have passed to the distributors. Management has reviewed the Group's distribution agreements and arrangements with the distributors and concluded that the control of the inventories is passed to the distributors upon delivery unless for those inventories specified under consignment arrangements. The distributors are considered as a principal and not an agent because the distributors are independent operating parties that bear both the credit risk of their customers and inventory risk of the purchased goods. Accordingly, revenue is recognised based on point in time when delivery of goods has been made.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	Group		Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	$'000	$'000	$'000	$'000
Financial assets:				
Financial assets at amortised cost	66,119	67,586	27,176	25,334
	66,119	67,586	27,176	25,334
Financial liabilities:				
Financial liabilities at amortised cost	41,945	40,747	554	1,620
	41,945	40,747	554	1,620

6. Profit before taxation

6.1 Significant items

	Group	
	1H2023	**1H2022**
	$'000	**$'000**
Income		
Government grants	183	334
Interest income	175	9
Expenses		
Advertising and promotional expenses	4,439	4,420
Allowance for impairment on trade receivables	7	52
Allowance for inventories obsolescence	92	294
Depreciation and amortisation	1,328	1,341
Employee benefits expenses	11,823	12,125
Foreign exchange translation losses	438	244
Inventories written off	168	90
Research and development expenses	228	93

6.2 Related party transactions

There are no material related party transactions. Intragroup transactions and balances that have been eliminated in these consolidated financial statements.

7. Taxation

Components of income tax expense recognised in profit or loss:

	Group	
	1H2023	**1H2022**
	$'000	**$'000**
Current tax expense		
Current tax expense	911	1,760
Over adjustment in respect of prior periods	(76)	–
Deferred tax income		
Deferred tax income	(174)	(171)
Total income tax expense	661	1,589

8. Dividends

	Group	
	1H2023	**1H2022**
	$'000	**$'000**
Dividends paid during the reporting period:		
Final exempt (1-tier) dividends paid of 1.11 cents (1H2022: 0.67 cent) per share	3,432	2,069
Proposed dividends on ordinary shares:		
Interim exempt (1-tier) proposed dividends of 3.6 cents (1H2022: nil) per share	11,131	–

Considering the Group's strong liquidity and as part of 5th anniversary celebration of the Group since IPO, the Board recommended special interim dividend payable at 3.6 cents per ordinary share for 1H2023 (1H2022: Nil). The proposed dividends are not recognised as a liability as of 30 June 2023. There are no income tax consequences on the reporting entity. The proposed dividend is payable in respect of all ordinary shares in issue at the end of reporting period and including any new qualifying shares issued up to the date the dividend becomes payable. The dividend payable date and the record date will be announced separately.

9. Net asset value

	Group		Company	
	30 Jun 2023	**31 Dec 2022**	**30 Jun 2023**	**31 Dec 2022**
Net asset value per ordinary share (Singapore cents per share)	22.30	22.36	15.06	14.18

10. Intangible assets

	Group		
	Goodwill	**Distribution rights and trademarks**	**Total**
	$'000	**$'000**	**$'000**
At 31 December 2022			
Cost	13,807	9,361	23,168
Accumulated impairment and amortisation	(993)	(3,103)	(4,096)
Net book value at 31 December 2022	12,814	6,258	19,072
6 months ended 30 June 2023			
Cost:			
As at 1 January 2023	13,807	9,361	23,168
Additions	–	237	237
Balance at 30 June 2023	13,807	9,598	23,405
Accumulated impairment and amortisation:			
As at 1 January 2023	993	3,103	4,096
Amortisation for the period	–	303	303
Balance at 30 June 2023	993	3,406	4,399
Net book value at 30 June 2023	12,814	6,192	19,006

10. Intangible assets (cont'd)

10.1 Goodwill

There was no movement in the amount of goodwill during the current reporting period. In assessing the goodwill impairment, management has determined the recoverable amount of the cash generating unit (CGU) as at 30 June 2023 based on its value in use. Value in use was determined by discounting the future cash flows similar to the 31 December 2022 goodwill impairment test. There is no change to the key assumptions used.

11. Plant and equipment

	Group				
	Plant and equipment $'000	Hardware and software $'000	Fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Cost:					
At 1 January 2022	5,017	1,451	3,576	237	10,281
Additions	134	443	20	89	686
Disposals	(16)	(77)	(24)	–	(117)
Foreign exchange adjustments	(15)	(6)	(10)	(12)	(43)
At 31 December 2022	5,120	1,811	3,562	314	10,807
Additions	55	–	127	–	182
Disposals	–	(48)	–	(68)	(116)
Foreign exchange adjustments	(2)	(2)	(7)	3	(8)
At 30 June 2023	5,173	1,761	3,682	249	10,865
Accumulated depreciation:					
At 1 January 2022	2,690	883	2,172	128	5,873
Depreciation for the year	1,177	213	639	35	2,064
Disposals	(16)	(75)	(21)	–	(112)
Foreign exchange adjustments	(12)	(5)	(6)	(12)	(35)
At 31 December 2022	3,839	1,016	2,784	151	7,790
Depreciation for the period	585	92	323	25	1,025
Disposals	–	(48)	–	(68)	(116)
Foreign exchange adjustments	(2)	(1)	(4)	2	(5)
At 30 June 2023	4,422	1,059	3,103	110	8,694
Carrying value:					
At 1 January 2022	2,327	568	1,404	109	4,408
At 31 December 2022	1,281	795	778	163	3,017
At 30 June 2023	751	702	579	139	2,171

11. Plant and equipment (cont'd)

	Company		
	Hardware and software $'000	**Fixtures and equipment $'000**	**Total $'000**
Cost:			
At 1 January 2022	4	221	225
Additions	3	–	3
At 31 December 2022	7	221	228
Additions	3	–	3
30 June 2023	10	221	231
Accumulated depreciation:			
At 1 January 2022	3	143	146
Depreciation for the year	1	44	45
At 31 December 2022	4	187	191
Depreciation for the period	1	22	23
At 30 June 2023	5	209	214
Carrying value:			
At 1 January 2022	1	78	79
At 31 December 2022	3	34	37
At 30 June 2023	5	12	17

12. Trade and other receivables

	Group		Company	
	30 Jun 2023 $'000	**31 Dec 2022 $'000**	**30 Jun 2023 $'000**	**31 Dec 2022 $'000**
Trade receivables:				
Outside parties	32,051	30,348	–	–
Less allowance for impairment	(236)	(229)	–	–
Subsidiaries	–	–	302	723
Net trade receivables - subtotal	31,815	30,119	302	723
Other receivables:				
Staff advances	21	6	–	–
Deposits to secure services	678	588	–	–
Subsidiaries	–	–	24,326	19,953
Goods and services tax receivables	12	52	–	–
Other receivables	466	341	–	2
Other receivables – subtotal	1,177	987	24,326	19,955
Total trade and other receivables	32,992	31,106	24,628	20,678

12. Trade and other receivables (cont'd)

	Group		Company	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	$'000	$'000	$'000	$'000
Movements in above allowance:				
At beginning of the period/year	229	206	–	–
Allowance charged to profit or loss included in other losses	7	23	–	–
At end of the period/year	236	229	–	–

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring expected credit losses (ECL) which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of the COVID-19 pandemic. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The receivables have common risk characteristics as compared to previous years. There were no significant bad debts noted in the previous years. The Group assesses the credit risk of major customers and risk of default rates of the customers using audited financial statements, management accounts, and available press information about the customers and applying experienced credit judgement.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There is no collateral held as security and other credit enhancements for the trade receivables.

13. Inventories

	Group	
	30 Jun 2023 $'000	31 Dec 2022 $'000
Raw materials and supplies	1,387	1,564
Finished goods and goods for resale [(1)]	22,420	19,696
	23,807	21,260
Inventories are stated after allowance.		
Movement in allowance:		
At beginning of the year	875	1,184
Charge (Reversed) to profit or loss included in other losses (other income and gains)	92	(101)
Used	(130)	(208)
At end of the period/year	837	875
The amount of inventories included in cost of sales	46,503	98,495
The inventories written off charged to profit or loss included in other losses	168	635

Management applied judgement in determining the appropriate allowance for inventories by taking into consideration various factors, including the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories.

There are no inventories pledged as security for liabilities.

(1) Included in finished goods and goods for resale are inventories under consignment with distributors amounted to $399,000 (2022: $1,435,000).

14. Borrowings

	Group			
	30 Jun 2023		31 Dec 2022	
	Secured	Unsecured	Secured	Unsecured
Repayable in one year or less, or on demand:				
Bank borrowings	–	1,250	–	1,250
Lease liabilities	89	535	62	1,028
Subtotal	89	1,785	62	2,278
Repayable after one year:				
Bank borrowings	–	2,604	–	3,229
Lease liabilities	47	–	91	10
Subtotal	47	2,604	91	3,239
Total	136	4,389	153	5,517

Details of any collaterals:
All banking facilities are covered by corporate guarantee provided by the Company and its subsidiaries Hyphens Pharma Pte. Ltd. or Pan-Malayan Pharmaceuticals Pte Ltd.

Secured lease liabilities relate to leased assets under finance leases. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets.

15. Share capital

	Group and Company	
	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 January 2022 and 31 December 2022	308,776	35,083
Issuance of new shares pursuant to share awards under Hyphens Performance Share Plan	422	133
Balance at 30 June 2023	309,198	35,216

On 19 March 2021, the Company has granted share awards to eligible employees of the Group pursuant to the Hyphens Performance Share Plan. The Eligible Employees were conditionally granted 1,485,000 Share Awards at S$0.315 each, based on the closing share price as at 19 March 2021, being the date of grant of the Share Awards.

The Board, having duly determined that the specific vesting requirements of the Share Awards have been satisfied in respect of certain Eligible Employees, has approved the vesting of the Share Awards in respect of an aggregate of 422,000 new ordinary shares in the capital of the Company ("New Shares"). Pursuant thereto, the Company has on 28 April 2023, allotted and issued the New Shares to those Eligible Employees. The New Shares rank pari passu in all respects with the existing issued shares of the Company.

The New Shares awarded shall have a sale restriction moratorium period of one year from the date of issue. The New Shares were listed and quoted on the Catalist Board of the Singapore Exchange Securities Trading Limited on 3 May 2023.

Save as disclosed above, there has been no change in the Company's share capital since 31 December 2022.

The Company did not hold any treasury shares or other convertible instruments as at 30 June 2023, 31 December 2022 and 30 June 2022.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023, 31 December 2022 and 30 June 2022.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

G. Other Information Required by Catalist Rule Appendix 7C

1. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business.

Consolidated Statement of Comprehensive Income

1H2023 compared to 1H2022

	1H2023 S$'000	1H2022 S$'000	Change %
Revenue by business segments			
Specialty pharma principals	41,997	48,226	(12.9)
Proprietary brands	11,814	10,828	9.1
Medical hypermart and digital	20,900	21,650	(3.5)
	74,711	80,704	(7.4)

	1H2023 S$'000	1H2022 S$'000	Change %
Revenue by geographical locations			
Singapore	41,618	42,492	(2.1)
Vietnam	19,763	27,194	(27.3)
Malaysia	7,730	7,251	6.6
Others	5,600	3,767	48.7
	74,711	80,704	(7.4)

Revenue

The Group's revenue reduced by 7.4% or S$6.0 million from S$80.7 million in 1H2022 to S$74.7 million in 1H2023.

Key factors driving the change in revenue:
1. Revenue from specialty pharma principals segment decreased by 12.9%, mainly due to the cessation of distributorship of Biosensors products, delay in shipment for some of the key products sold in Vietnam and absence of one-off tender awarded to Novem in 1H2022.
2. Revenue from proprietary brands segment grew by 9.1%, contributed by higher demand for Ceradan® dermatological products and Ocean Health® health supplements.
3. Revenue from medical hypermart and digital segment declined by 3.5%.

Gross profit

Gross profit correspondingly decreased by 9.8% or S$3.1 million from S$31.1 million in 1H2022 to S$28.0 million in 1H2023.

Gross profit margin has dipped slightly by 1% as compared with 1H2022 from 38.5% in 1H2022 to 37.5% in 1H2023.

Consolidated Statement of Comprehensive Income (cont'd)

1H2023 compared to 1H2022 (cont'd)

Distribution costs

Distribution costs increased by 1.8% or S$0.3 million from S$16.9 million in 1H2022 to S$17.2 million in 1H2023 mainly due to expanded workforce to support the Group's long-term growth strategy and increased travelling.

Administrative expenses

Administrative expenses increased by 4.6% or S$0.3 million from S$6.2 million in 1H2022 to S$6.5 million in 1H2023 due mainly to increased spending in R&D and expenditure to spearhead regional business expansion for the medical hypermart and digital segment.

Other losses

Other losses increased by 3.2% or S$0.02 million from S$0.68 million in 1H2022 to S$0.70 million in 1H2023, resulting mainly from increased foreign exchange translation loss, offset by lower allowance for inventories obsolescence.

Share of profit of an equity-accounted associate

Share of profit from associate increased by 42.2% or S$0.1 million from S$0.2 million in 1H2022 to S$0.3 million in 1H2023 due to higher sales achieved.

Profit before tax

Profit before tax reduced by 46.5% or S$3.6 million from S$7.8 million in 1H2022 to S$4.2 million in 1H2023, mainly due to lower revenue, increased distribution costs, administrative expenses and finance costs as result of higher interest rates, partially offset by increased share of profit from associate.

Income tax expense

Income tax expense reduced by 58.4% or S$0.9 million from S$1.6 million in 1H2022 to S$0.7 million in 1H2023 as a result of lower profit for the period.

Profit after tax

As a result of the foregoing, the Group's net profit after tax reduced by 43.5% or S$2.7 million, from S$6.2 million in 1H2022 to S$3.5 million in 1H2023.

Consolidated Statements of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 June 2023 and 31 December 2022.

Consolidated Statements of Financial Position (cont'd)

Non-current assets

The Group's non-current assets decreased by S$0.6 million from S$24.8 million as at 31 December 2022 to S$24.2 million as at 30 June 2023 primarily due to depreciation of plant and equipment of S$1.0 million, offset by new plant and equipment acquisition of S$0.2 million, S$0.2 million increase in investment in an associate following recognition of share of profit and S$0.1 million increase in deferred tax assets.

Current assets

The Group's current assets increased by S$1.5 million from S$89.7 million as at 31 December 2022 to S$91.2 million as at 30 June 2023 mainly due to increase in inventories by S$2.5 million, trade and other receivables by S$1.9 million and prepayments by S$0.4 million, partially offset by decrease in cash and cash equivalents by S$3.4 million.

Non-current liabilities

The Group's non-current liabilities decreased by S$0.7 million from S$4.1 million as at 31 December 2022 to S$3.4 million as at 30 June 2023 mainly due to the recognition of the current portion of loan and lease liabilities under current liabilities.

Current liabilities

The Group's current liabilities increased by S$1.4 million from S$40.1 million as at 31 December 2022 to S$41.5 million as at 30 June 2023. This was mainly attributable to the increase in trade and other payables, partially offset by repayment of bank borrowings and lease liabilities and income tax payable.

Consolidated Statements of Cash Flows

1H2023

The Group generated net cash of S$2.2 million from operating activities in 1H2023, mainly due to operating cash flows before changes in working capital of S$5.0 million, net working capital outflows of S$1.5 million and income taxes paid of S$1.3 million.

The net working capital outflows were attributable to (i) increase in inventories by S$2.5 million, (ii) increase in trade and other receivables and prepayment by of S$2.3 million, partially offset by (iii) increase in trade and other payables of S$3.4 million.

Net cash flows used in investing activities amounted to S$0.8 million during 1H2023, mainly attributable to plant and equipment addition and acquisition of trademark and in-licensing rights, partially offset by the interest received.

Net cash flows used in financing activities amounted to S$4.8 million during 1H2023, resulting from dividend payment of S$3.4 million, repayment of borrowings of S$0.6 million, lease payment of S$0.6 million and interest paid of S$0.2 million.

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

There was no forecast or a prospect statement.

3. 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

Growing our Proprietary Brands
Proprietary Brand business remains the Group's key focus during the first half of 2023. Hyphens' brands, including Ceradan® and Ocean Health® continue to show strong growth in sales and brand equity. The Group will continue to nurture these brands in markets where it already has presence, seek out new international partnership opportunities to enter new markets, and invest in innovation to develop new and improved products under the respective brands.

As we strive to provide a better quality of life for our customers through innovative products, we have launched a new line of Ocean Health® supplements in gummy forms. These new gummy supplements are specifically designed to target a younger demographic, a strategic move aimed at tapping into a growing market and diversifying our customer base.

Going Digital
The Group's subsidiary, DocMed Technology Pte Ltd ("DocMed"), continues to proactively seek strategic collaboration opportunities with like-minded partners, aiming to develop an integrated digital healthtech platform that encompasses a diverse range of healthtech solutions. It is actively expanding into Malaysia after the successful joint venture initiatives in Vietnam. In the later half of 2023, we expect to channel more resources into the platform development and expansion in the two new territories.

Expanding through Acquisitions
With a focus on long-term growth, the Group remains diligent and disciplined in its acquisition approach, prioritizing opportunities that align with its strategic goals and contribute positively to its business.

Strengthening Specialty Pharma Portfolio
One of our key strategic initiatives has been actively seeking new licensing opportunities. By leveraging our strong relationships with reputable pharma principals and consumer healthcare providers worldwide, we have secured licenses for a wider range of products for our customers, such as the development and commercialization of Byfavo® procedural sedation drug in Singapore and the successful registration of botulinum toxin formulation Nabota® in Singapore.

Our latest additions to the portfolio are the following products from Laboratoires Gilbert S.A.S.in the territories of Hong Kong, Laos, Mongolia, Singapore, Vietnam, Malaysia, Indonesia, Philippines, Thailand and Brunei:

- Physiolac, an infant formula providing essential nutrients for healthy growth and development in infants;
- Physiodose, a range of products specifically designed for nasal hygiene in babies and adults;
- Dologel, a product soothes babies from painful teething and other irritation or mouth lesions;
- A-Cerumen products, a preservative-free formula to remove earwax plugs.

The Company's subsidiary, Hyphens Pharma Pte. Ltd., will be handling the distribution and sales of the products.

These new additions to our portfolio will not only bolster our market position but also enable us to provide a more diverse range of treatment options to patients across the region.

In addition, we have successfully launched Plinest, our latest medical aesthetic product in Singapore, which is designed to promote bio-revitalization and reverse signs of aging.

With the increasing portfolio on Medical Aesthetic products, Hyphens Pharma has established a dedicated team of experts to set up the medical aesthetic division. They are equipped with deep knowledge and passion for the industry, ensuring that our customers receive top-tier products.

Navigating a Challenging Macro-Economic Environment

We are undergoing a macro-economic environment that is filled with volatility and uncertainty, impacting the Group's operations across countries. While economic activities have resumed, disruptions in the supply chain have severely affected the availability of some products in 1H2023. The Group is working closely with our suppliers to minimise the impact from the supply chain disruption, we foresee that the situation will be improved gradually over the later half of this year. Inflationary pressures have resulted in increased supply prices and operating expenses, but passing on the full impact to the market may be challenging. Moreover, fluctuations in local currencies against major purchase currencies like USD and EURO have introduced exchange rate risks, leading to potential gains or losses.

Despite these challenges, the Group remains steadfast in its commitment to navigate the volatile operating environment with vigilance, diligence, and agility. The sound financial position of the Group provides a strong foundation to withstand these challenges and seize any relevant opportunities, aligning with its business strategy. As market participants, the Group will continue to remain focused, adaptable, and poised to capitalize on opportunities that arise amidst the evolving landscape. Through these efforts, the Group aims to maintain resilience and drive sustained growth in the face of post-pandemic uncertainties.

4. If the Group has obtained a general mandate from shareholders for interested person transactions (‘IPT’), the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect

The Group does not have a general mandate from shareholders for interested person transactions.

5. Negative confirmation of Interim Financial Results pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for 1H2023 to be false or misleading in any material aspect.

6. 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 Catalist Rules

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

7. Disclosures on acquisition or sale of shares pursuant to Rule 706A of the Catalist Rules

There were no acquisition or realization of shares thereby resulting (i) in a change in the shareholding percentage in any of the subsidiary or associated company of the Group or (ii) an entity becoming or ceasing to be (as the case may be) a subsidiary or associated company of the Group during 1H2023.

The Group has incorporated two subsidiaries during 1H2023. The details of the two subsidiaries are set out below:

- DocMed Lyth Pte Ltd (“DocMed Lyth”)

  DocMed Lyth was incorporated in Singapore on 21 April 2023 with a total issued and paid-up share capital of 400,000 ordinary shares at US$400,000. DocMed holds 51% equity interest in DocMed Lyth and the remaining 49% equity interest is held by unrelated third parties. The investment by DocMed in DocMed Lyth was funded by internal resources. The principal business of DocMed Lyth is investment and incubation of early-stage business relating to digital healthcare.

- TechMed Sdn Bhd (“TechMed”)

  TechMed was incorporated in Malaysia on 16 March 2023 with a total issued and paid-up share capital of one ordinary share at RM1. DocMed holds 100% equity interest in TechMed. The investment by DocMed in TechMed was funded by internal resources. The principal business of TechMed is investment and incubation of early-stage business relating to digital healthcare.

Apart from their respective equity interests in the Company, none of the Directors or substantial shareholders of the Company have any direct or indirect interest in the abovementioned subsidiaries. The incorporation of the abovementioned subsidiaries is not expected to have a material effect on the earnings per share and net tangible assets per share of the Group for the financial year ending 31 December 2023.

BY ORDER OF THE BOARD

Flora Zhang
Chief Financial Officer

10 August 2023

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 of the statements or opinions made or reports contained in this announcement.

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