



HYPHENS PHARMA INTERNATIONAL LIMITED

(Company Registration No. 201735688C)

(Incorporated in the Republic of Singapore)

**ANNUAL GENERAL MEETING ON 27 APRIL 2022
RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM
SHAREHOLDERS BEFORE ANNUAL GENERAL MEETING**

The Board of Directors of Hyphens Pharma International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders and members who have submitted questions in advance of the Company’s Annual General Meeting (“**AGM**”) which will be held on 27 April 2022 at 2.00 p.m. by way of electronic means.

Please refer to the Appendix setting out the Company’s response to substantial and relevant questions relating to the AGM resolutions received from shareholders and members.

BY ORDER OF THE BOARD

Lim See Wah

Executive Chairman and Chief Executive Officer

21 April 2022

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.

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

1 General / Overall Business

1.1 Can Hyphens Pharma International Limited (“**HPIL**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) share more specific details about its aim to be Asia’s No. 1 Skin Health company in the long term, as mentioned in the Corporate Presentation (13 Jan 2022):

1.1.1 Is it referring to No. 1 in terms of revenue, market share or other metrics?

1.1.2 What is the targeted time frame, e.g. 10, 20 years?

1.1.3 At which stage of the goal does HPIL currently think it is at?

1.1.4 Besides focussing on Asia, does HPIL have aspirations with regards to the Western countries/markets or the rest of the world?

Company’s response

This is a long-term aspirational goal for the Group and we will track it based on various internal metrics. As for the target time-frame, of course we prefer sooner rather than later, but we have to be realistic as we need to balance addressable market opportunities with our available resources. We want to focus on Asia first because we have already made inroads into various countries in the region and want to see more traction and progress in these markets so as to build up our growth momentum.

1.2 It has been about 4 years since HPIL’s 2018 IPO and the net profits for the past 5 years (FY2017 to FY2021) have been range-bound at \$6m+ (excluding IPO expenses) as shown in the Corporate Presentation (13 Jan 2022, pg32). In addition, while the number of outstanding shares has increased due to the Novem acquisition, the total number of shareholders has actually shrunk - from 1775 (Annual Report (“**AR**”) 2020) to 1588 (AR2021). Over the years, HPIL growth initiatives include:

(a) While the recent Novem acquisition is earnings accretive substantially from FY2022, HPIL’s balance sheet is weakened (cash position) to pay for the acquisition.

(b) Proprietary Brands Segment: In FY2021, there was only 1 internationalisation initiative – bringing TDF T-Complex to South Korea.

(c) Specialty Pharmaceutical Segment: As of 31 Dec 2017 (IPO prospectus), HPIL distribute more than 30 products. 4 years later, as of 31 Dec 2021 (AR2022), the reported number is still more than 30.

Investors are attracted to stocks with high profit growth or stable high dividend yield. There seems to be limited organic growth which appears insufficient to drive a sustainable significant year-on-year increase in profitability in the last 5 years:

1.2.1 Given HPIL’s modest dividend yield especially in the light of expected interest rate hikes, moving forward can shareholders look forward to heightened efforts to implement organic growth initiatives like accelerate the internationalization of the propriety brands, expedite efforts to bring in more specialty pharmaceuticals products (e.g. consistently bringing in 3-5 products a year especially with HPIL’s strong relationships with principals and with even more brand principals on-board now through the acquisition of Novem), etc ? If this is not feasible, what are the challenges that HPIL is facing?

Company’s response

Our business development team has been actively pursuing in-licensing and out-licensing opportunities but the COVID-19 pandemic in the past two years has made such pursuits more challenging. Nevertheless, there are products in the pipeline and once there are material developments, we will make the necessary announcements at appropriate juncture.

1.2.2 It is heartening to read that HPIL has managed to achieve greater productivity to its operations. Some investors consider net profit margin (“**NPM**”) as one of the factors to gauge the sustainable competitive advantages of a company. The NPM for FY2021 is about 5.4%. Is there room for further operational efficiencies and is it a priority for HPIL to work towards double-digit (or at least very high single-digit) NPM in the coming few years? Is this a feasible target based on the existing business model comprising of HPIL’s various segments?

Company’s response

Improving scale and profitability as well as reinvestment into the business to develop strategic competencies are some of the priorities of HPIL. Management will exercise its judgement to balance these priorities and will act in the best interests of the Group in order to bring long-term sustainable value growth to shareholders.

1.2.3 According to Enterprise Singapore (“**ESG**”) website, Scale-up SG is a programme that helps selected high-growth potential local companies scale effectively, become leaders in their fields and be groomed into future global champions. Has HPIL been selected before or are there plans to approach ESG to participate?

Company’s response

We are constantly engaging ESG in a variety of initiatives and may participate in the scale-up programme if it fits with the Group’s strategy at an appropriate time.

1.2.4 Does HPIL see a significant impact on this FY’s profitability due to supply chain issues or inflationary pressures? If so, are there steps taken to mitigate this?

Company’s response

Supply chain issues and inflationary pressures are faced by all companies and individuals globally. Consequently, there will be some impact on the Group’s profitability and inventory holding levels. The Group will work with its principals and suppliers to minimise such cost escalations and delay the passing on of the higher costs to customers. A strong SGD also helps to reduce the impact of cost increases since EUR and USD are our major purchasing currencies.

1.2.5 As a retail shareholder, I really appreciate the management for providing quarterly business update, corporate presentation, results briefing slides. However, the slides are high-level and not the best medium to convey detailed information nor to address shareholders’ questions. Thus, can the management consider extending the results briefing for financial analysts/institutional investors to retail shareholders/investors, as some other SGX-listed companies are doing? According to last year’s AGM Q&A, HPIL held webinars with Philip Securities to reach out to retail investors in FY2020 but unfortunately not all retail investors / shareholders are invited. Can HPIL perhaps look into an email mailing list for interested retail investors / shareholders to register?

Company’s response

Thanks for your suggestion, we can look into this for future events.

1.2.6 What is the level of institutional ownership in HPIL? Are the cornerstone IPO investors still vested?

Company’s response

Based on the statistics of shareholdings as at 14 March 2022, about 47% shares are held by institutions including depository agents. We believe that some cornerstone investors are still vested although we are unable to confirm their current shareholding levels as their shares are likely to be held in nominee accounts.

1.2.7 A Mainboard listing could strengthen HPIL’s branding, enhance its profile locally/overseas and also provide greater visibility in the capital markets. Does the management have a time frame to work towards it?

Company’s response

Although this is a good vision to have, the management prefers to focus on growing the business and has not set a fixed time frame for a transfer to Mainboard.

1.2.8 With Singapore moving towards Healthier SG, what are the opportunities for HPIL?

Company’s response

The Group’s nutritional supplements like Ocean Health and Vivomixx as well as WellAway e-pharmacy are well poised to benefit from the move towards preventive healthcare.

1.2.9 Will HPIL be able to tap on any of the measures in the Singapore Budget 2022?

Company's response

The Singapore Budget 2022 has good support for local companies and some areas that we can tap on include - temporary bridging loan programme, building digital capabilities, productivity solutions grants, etc.

1.2.10 It is heartening to read about HPIL's community outreach efforts. Perhaps HPIL can also consider reaching out to Singapore overseas university students' associations / groups in this different COVID-19 situation? Receiving some homegrown health related products could help to provide some form of encouragement to them.

Company's response

Thank you for your suggestion.

1.3 On the "Corporate Profile" page of the AR2021, HPIL has shown its presence (offices/ distribution network) in the various countries in an easy-to-read geographical format. As HPIL's portfolio consist of various major proprietary brands ("PB") as well as the specialty pharmaceuticals ("SP") segment, to better inform long term shareholders the exact market presence of HPIL in each country and track the Company's annual expansion as we grow along with HPIL, can the management consider:

1.3.1 Providing the breakdown of the PB products/ SP segment for each country, e.g.
Singapore - Ocean Health, Ceradan, TDF, CG210, SP;
China – Ceradan;
South Korea – TDF;
Vietnam – SP, etc?

Company's response

	Ceradan	TDF	CG210	Ocean Health	SP
Singapore Indonesia Malaysia Philippines Vietnam	√	√	Singapore & Malaysia	Singapore Malaysia Vietnam	√
Bangladesh	√	√			
Brunei	√			√	
Cambodia		√			
China	√				
Hong Kong	√	√		√	
Macau	√	√		√	
Myanmar		√			
Oman	√				
Sri Lanka				√	
South Korea		√			

1.3.2 Including the percentage revenue contribution from each country?

Company's response

Please refer to page 12 of the Annual Report for percentage revenue contribution by country for contributions of more than 5% of the Group's revenue.

1.4 As a shareholder, I appreciate the "Key Events" section in the AR which describes the achievements throughout the year. As HPIL is in the growth stage (e.g. internationalisation of proprietary brands / potential acquisitions) and to help shareholders appreciate the track record of the Company and better follow its expansion initiatives, can HPIL consider including a milestones timeline in the AR to detail the various key events over the past years?

Company's response

We focus the AR more on the key events that occurred during the year, and expanding it to record multiple years will be rather extensive. We can consider doing a recap of milestones across past years on a less regular basis in the AR.

1.5 It is heartening know HPIL's emphasis on digitalization and read about the digital initiatives of HPIL in the AR, especially given the increasing role of digitalization in companies. I hope HPIL will continue to elaborate more extensively on the digitalization efforts of the Company:

1.5.1 In the previous year's AGM Q&A, it was mentioned that HPIL considers the digital parameters to be sensitive information and thus will not be sharing them. However, given the prominent role of digital marketing, some companies in the retail / consumer space have been reporting selected statistics which are not confidential e.g. number of followers, number of views, official social media accounts. Sometimes, quantitative statistics can better convey the message across. In fact, I am very encouraged when the Corporate Presentation (13 Jan 2022) mentioned that 15 of HPIL products are sold every minute! Given the growing impact of digital marketing campaigns on brand awareness and sales figures, can the management:

- (a) re-consider the request to showcase selected digitalization statistics (maybe % growth which is not as confidential)
- (b) elaborate more extensively on HPIL's digital marketing plans, e.g. traffic-driving initiatives, profitable customer segments targeting strategy, sample ROI metrics, omnichannel marketing strategy (covering both online and offline channels), etc

in future annual reports, for shareholders to appreciate the effectiveness of HPIL's digital marketing efforts?

Company's response

We will explore with our digital team to provide some insights in the future.

1.5.2 On pg7 of AR2021, it was mentioned that significant inroads were made through e-commerce and digital marketing. While HPIL has given examples of e-commerce like official stores across the region with online platforms (e.g. Shopee, Lazada and Tokopedia) in the AR, can HPIL provide some examples of significant digital marketing initiatives that had been undertaken?

Company's response

We have launched exclusive e-commerce promotional mechanics with various platforms and have developed a strategic relationship with them, such that in certain markets, there are exclusive launches of new products on certain marketplaces like Shopee and Lazada. Product bundling of new products and top sellers also help to encourage consumers to try our latest innovative offerings. Furthermore, we have also tapped on experienced e-commerce enablers to help us grow this segment.

1.5.3 Some research has shown that COVID-19 has accelerated the transition to a mobile-first world. Are there plans to tap on this mobile app trend, e.g. develop app for TDF with AI skin diagnosis (help users track skin improvement), further develop the "iControl Eczema" app for deeper customer engagement, develop Ocean Health app?

Company's response

Objectives of our apps include facilitating healthcare professionals in disease management, educating consumers in managing their health concerns as well as easing the replenishment of our healthcare products for consumers. With the proliferation of mobile apps, we are also mindful to be selective in the apps that we put in the market to only those that will serve the desired objectives.

1.5.4 In FY2020 AGM presentation slides (28 Apr 2021), it was shared that 3 senior digital talents have joined:

- (a) Is the IT/digital department considered fully staffed? Besides increasing headcount, does HPIL have plans to tap government IT-related schemes like CTO-as-a-Service*?
- (b) Given the rapid pace of technological advancement and developments in the consumer space (e.g. the smartphones sector is stepping up their health-tracking game in recent years like Apple planning a blood-pressure monitoring feature), does HPIL have a multi-year digital roadmap in place and adequate manpower to implement it?

*<https://www.straitstimes.com/singapore/politics/chief-technology-officers-for-hire-among-govts-plans-to-help-businesses>

Company's response

Depending on the needs of the Group as the business expands and evolves, we will continue to recruit the necessary digital talents with relevant skill sets at appropriate times.

1.5.5 Any plans to tie-up with our educational institutions to offer internship or mentorship by providing students with real life business scenarios for their projects? While benefiting the students, this can also provide valuable business insights to HPIL regarding the younger generation's perspectives. In addition, HPIL may also be able to tap on the strategies developed by the students, which is a further win-win.

Company's response

We have past and ongoing projects with local universities and polytechnics as well as offer regular internships for students from varying faculties. Indeed, such partnerships enable the Group to tap on the latest knowledge as well as for students to learn more about Hyphens.

1.5.6 The Director's area of expertise is categorized by Legal, Finance, Business (AR2021). Does the Board consider itself to have sufficient knowledge / experience in the area of IT/digital marketing /e-commerce?

Company's response

The Directors, through their experience working in their own companies, advising their clients or managing their investee portfolio, have the necessary digital and e-commerce knowledge and understanding to provide strategic guidance to the Group.

1.6 According to the IPO Prospectus, HPIL is developing a steroid drug for the management of inflammatory skin conditions, such as atopic dermatitis, through a research collaboration with A*STAR. What is the status of the drug? Are there plans for future collaboration for more drug products?

Company's response

We are in the final stages in obtaining regulatory approval and barring any unforeseen circumstances, we are planning to launch the steroidal product in Indonesia this year. Pending the response to this product, we will explore the feasibility of more drug product collaborations with A*STAR but we have no immediate plans currently.

1.7 Given the growing awareness of mental health in our increasingly stressful modern life as well as pervasive chronic lifestyle medical conditions, are there plans to develop products (Pharmaceuticals / Nutraceuticals) in these areas or bring in related products (e.g. anti-anxiety drugs) in the specialty pharmaceuticals?

Company's response

Thank you for your good suggestion. We certainly can look into these areas.

1.8 As a shareholder, I appreciate the management's initiative for adding "*Basic/Diluted Earnings Per Share*" into the Financial Statements (Consolidated Statement of Profit or Loss). It is very beneficial for shareholders. I would like to request the management to consider adding "*gross profit margin*" and "*net profit margin*" as well.

Company's response

As the format of the financial statements is governed by the accounting standards, we will keep to the current presentation but will consider adding financial performance indicators into the section on Financial Highlights in the future.

1.9 I note the Company has exposure to Sri Lanka, a country which is facing a severe economic and debt crisis. Could you please quantify our exposure to Sri Lanka?

Company's response

We had a small export, on a special approval permit, to Sri Lanka when the distributor was first appointed. Currently, we are working with the distributor to register the products locally. Hence, there is no exposure to Sri Lanka at the moment.

1.10 How will the end of COVID-19 or living with COVID-19 impact our business? Favourably or Unfavourably? Will the end of COVID-19 mean lesser demand for our products?

Company's response

Getting back to a normalised operating environment will certainly be positive for the Group, barring any other unforeseen circumstances. Although we saw a spike in sales of Sterimar in Indonesia last year, partly driven by the COVID-19 pandemic, the extra contribution was less than S\$2m. Our businesses had been adversely affected by lockdowns across the region in 2020 and we had a significant write-down of inventory in the same year. In 2021, the Vietnam market was in severe lockdown in Q3 and thus led to a decline in the sales contribution from our second largest market.

Given that most of our products are non-COVID-19 related, opening up will facilitate better engagements between our sales and marketing teams with the doctors and consumers.

1.11 Is the Company impacted by supply chain disruptions? How does the Company manage and deal with the supply chain disruptions?

Company's response

Longer lead time from suppliers, longer waiting time for international transportation and rising freight costs are the main supply chain disruptions that the Group has been facing. We have stepped up on communications with our suppliers to be informed about possible delays on timely basis and we have also increased our stockholding to minimise possible out-of-stock situations.

1.12 Raw materials costs increased from \$766k to \$1025k. With the rising commodities and raw material prices, how does the Company manage its costs, so as to still be able to earn a reasonable rate of return for the Company and shareholders?

Company's response

The increase in raw materials from S\$766k as at 31 Dec 2020 to S\$1,025k as at 31 Dec 2021 was mainly due to higher quantities held on-hand in anticipation of lengthened supply chain fulfilment and partly due to cost increases. We will continue to monitor prices and costs to ensure that we balance the need to provide value to our customers and at the same time, reasonable returns to our shareholders.

1.13 How does Management intend to future proof the business in terms of (1) geographic expansion (2) digitalisation/technologies (3) new businesses?

Company's response

- (1) The Group will continue to strengthen its position in existing markets with its own sales and marketing teams and with our distributors while concurrently seek opportunities to expand into new markets.
- (2) We are accelerating investments into our digital assets like Wellaway e-pharmacy and the B2B virtual hypermart via DocMed Technology Pte Ltd, a newly incorporated subsidiary. We are also actively pursuing strategic collaboration opportunities with like-minded partners to develop an integrated digital healthtech platform that can incorporate various healthtech solutions, so as to cater to various healthcare stakeholders in Singapore and the region.
- (3) We will focus on our core businesses which still have tremendous growth opportunities while complementing these businesses with new product pipelines. Of course, we will be open to new business opportunities if they are extensions of our core competencies.

2 Novem acquisition

2.1 According to HPIL, the acquisition of Novem will help to expand the product portfolio, while providing access to new principals, market segments, and customers. Interpreting the acquisition as “The whole is greater than the sum of its parts”:

2.1.1 Are there potential operational cost savings from the Novem acquisition e.g. consolidation of back office/administrative resources or moving Novem headcount into HPIL main office and rent out the vacated premises for recurring rental income, etc?

Company's response

Our focus is on expanding the business of Novem and ensuring that the sales and marketing teams of both entities can complement each other. As Novem will continue to operate as a separate legal entity, we do not have plans to consolidate operations into one location. Moreover, the space in the Group HQ's integrated facility is not adequate to fully bring in Novem's team and operations.

2.1.2 In SG, Novem is entrenched in the Singapore public sector while HPIL the private sector, how much cross-selling opportunities are there and what is a realistic time frame to start realizing these opportunities? Does HPIL foresee any immediate impediments to such opportunities?

Company's response

This is an ongoing effort and both teams are meeting regularly to pursue these sales opportunities.

2.1.3 What are the business prospects of Novem's products portfolio in other countries?

- (a) What are Novem's best-selling and/or flagship Pharmaceuticals and Nutraceuticals products?
- (b) Now that Novem has a strong parent company (HPIL) for support, has Novem/HPIL started discussions with Novem's brand principals regarding overseas expansion?
- (c) What is a realistic time frame for products registration in the targeted overseas markets and when can the first sale of Novem products in overseas markets be expected?

Company's response

We are engaging in discussions with some of Novem's principals to explore regional expansion. The typical registration time frame for overseas markets is about two years. The flagship products of Novem include ActivQ, Remecur and many more premium generic products.

2.1.4 Novem Sciences Private Limited own 45% of a Malaysian wholesale business, any plans to explore:

- (a) possible collaboration e.g. access to new customers in Malaysia?
- (b) opportunities to branch into Halal pharmaceuticals / nutraceuticals?

Company's response

Yes, we are engaging the joint venture partner in Malaysia to deepen our collaboration. Currently, some of our Ocean Health products like Omega and Evening Primrose Oil are Halal-certified. We will continue to expand our portfolio of Halal products, if we can identify suitable suppliers.

2.1.5 How many new products (Pharmaceuticals / Nutraceuticals) do Novem usually roll-out per year? What is the new products pipeline?

Company's response

Novem generally launches about four to five products each year, but this is dependent on market requirements and commercial considerations as well. There are more than 10 new products in the pipeline.

2.1.6 What is Novem's R&D roadmap:

- (a) does Novem have in-house R&D capabilities to develop a strong new pipeline of Pharmaceuticals / Nutraceuticals products?
- (b) are there plans to work with 3rd parties (e.g. research institutions) for R&D?

Company's response

Novem does not undertake R&D. Its core competencies are in-licensing and distribution. There are no plans to work with third parties for R&D.

2.1.7 Novem website has an e-shop (<https://www.novemhealthcare.com/shop/>). Are there plans to sell the Novem products through online platforms (e.g. Shopee, Lazada and Tokopedia) by end of this year? Or will these products be sold through the HPIL Virtual Hypermart?

Company's response

Novem is in the midst of setting up an e-shop on our virtual hypermart to reach out to the wide customer base of GPs and specialists who are currently using this platform.

2.1.8 By appointing Albert Ng, founder of Novem Group, as the MD following the acquisition of Novem Group, how does Management ensure there is integration of Novem with Hyphen so as to reap economies of scale?

Company's response

An integration committee comprising sales, marketing, digital and finance functions has been formed to look into harnessing synergies and operating co-operatively as an enlarged group.

2.1.9 What are the terms of the employment for Mr Albert Ng? Does this mean that he will have two bites of the cherry (i.e., sale proceeds and employment income - at no commercial risk) following his divestment?

Company's response

A business is only as good as its people. As a registered pharmacist and veteran with over 20 years of industry experience, Mr Albert Ng is the best candidate to continue the good legacy of Novem and ensure continuity in the people and business of Novem post-acquisition. Working together as a team enables us to tap on each other's expertise and add value to the enlarged Group.

2.1.10 Can the Board share more details of the integration of Novem with Hyphen? E.g., the challenges and opportunities encountered and the lessons learnt.

Company's response

The integration process is still ongoing and we can share more details with shareholders at an appropriate time in the future.

3 Proprietary Brands Segment

3.1 HPIL has a successful IPO in FY2018 and a strong product portfolio - TDF, Ocean Health established since 1994; Ceradan since 2011. The FY2021 revenue for the proprietary brands segment was S\$19m. In addition, HPIL's proprietary brands segment revenue grew by only about 5% from FY2020 to FY2021, and FY2021 profit was lower than the FY2020 profit.

In comparison, there was a recent Straits Times article* featuring a Singapore baby/maternity home-grown brand which launched in 2017 and is currently already achieving tens of millions (USD) in annual revenue, selling via online channels (Amazon, Target), making use of effective digital marketing, etc.

*<https://www.straitstimes.com/singapore/parenting-education/for-parents-by-parents-she-started-a-40m-baby-care-brand-youve-never-heard-of>

While noting that the product portfolios/business strategies are different, it seems to illustrate that there is a lot more that HPIL can achieve. The latest HPIL financial figures for the segment could be early warning signs that the sales/profitability of the products in the existing markets is starting to peak. Indeed, there is only so much addressable market (human population) based on the existing markets, even with new products launches.

In the 2018 IPO Prospectus, HPIL mentioned that it is exploring other ASEAN regions as well as places in the Middle East and Australia. In HPIL's corporate presentations under proprietary brands, it was also stated "We are the product owner, and the world is our market."

I appreciate that the management has indeed in FY2020, expanded (1) Ocean Health to Sri Lanka, HK, Macau, duty-free channels in China; (2) Ceradan to Mainland China; (3) Jan 20201, TDF to South Korea:

3.1.1 How much revenue & profit has the FY2020/FY2021 overseas expansion initiatives generated for FY2021? Is the Board satisfied with the performance? Any plans to finetune the expansion initiatives based on lessons learnt thus far?

Company's response

Contributions from the new distributors have been modest. Our team is still working with the distributors on product registrations and adaptations on product labelling to meet local requirements. Generally, new product launches take three to five years to take off and the COVID-19 situation in the last two years has been an impediment to these efforts. As a business practice, we constantly look for various ways to improve and innovate and will continuously review and refine our overseas expansion plans.

3.1.2 Can the Board help shareholders understand what is holding up further internationalisation of proprietary brands (particularly Ceradan/TDF), especially to the developed countries (e.g. US/UK/Europe/Australia) when (1) the per capita disposable income in the developed economies is high and US/UK has the highest value of private consumption worldwide in 2017* (2) the resident population is much higher than Singapore (3) Ceradan is clearly differentiated from other brands with its distinctive ceramide-dominant formulation (4) Ceradan has already been awarded patents in UK and US (5) the proprietary brands can be "readily" put up for sale in other countries via online platforms(e.g. Amazon UK/US/Australia) (6) skin care is a highly competitive market with many deep pockets established brand names & the lucrative market is likely to attract even more new players (7) typically takes some time before the brand/sales gain traction in a new country, thus making it logical to expand into new country sooner than later?

*<https://www.statista.com/statistics/1042681/worldwide-private-consumption-per-capita-by-country/>

Is HPIL being "overly cautious" regarding overseas expansion given that its proprietary brands have been around for a long time (at least 10 years), or were there unforeseen difficulties in executing business plans e.g. unable to find experienced hires, awaiting permission for clinical trials, etc?

Company's response

Some challenges that we are experiencing include finding the right partner, the lengthy product registration process, and the competitive landscape in each country.

3.1.3 Given that the proprietary brands are primarily through medical professionals and patents for Ceradan have been granted in UK/US, has the outreach for Ceradan/TDF to Western developed economies started?

Company's response

Yes, with patents on hand, we have started to engage with potential distributors in Europe and US.

3.1.4 Does HPIL has a plan and timeframe for its oversea expansion:

- (a) how many countries a year, which product in which country by a certain year?
- (b) Does HPIL have an internal multi-year sales target for this segment given the huge overseas expansion opportunities and its strong Ceradan product?

Company's response

We do have a strategic vision for Ceradan, which is our flagship product. But due to business sensitivity, we are unable to openly share our plans.

3.2 The proprietary brands are sold through 3rd party online marketplaces (e.g. Lazada, Shopee) and are also marketed through social media channels (e.g. Facebook, Instagram). It is indeed heartening that the brands have garnered awards from Guardian, Watsons, Unity. However, it seems the online marketplaces, social media, awards are more focussed on Singapore/Malaysia than the other overseas markets.

3.2.1 What are HPIL's plans for international marketing strategy to grow market demand, for e.g. any plans to work with leading international beauty magazines/websites to advertise the proprietary products?

Company's response

Our foray into online platforms started in 1Q2020 in Singapore, just before the COVID-19 pandemic started. We then extended our online presence to Malaysia in late 2020 and to Indonesia in late 2021. Hence, it has been a progressive process for us to expand our digital journey.

3.2.2 Is there an overall marketing department for HPIL or each individual business segments have its own marketing department? Are there plans to tap on each individual brand's marketing efforts or utilise cross-selling opportunities?

Company's response

Each business units have their own product managers who take care of marketing. They all report into the COO indirectly and there are regular regional marketing meetings to align understanding and forge synergies.

3.2.3 Do HPIL's marketing strategies differentiate and focus its marketing messages according to different segments, e.g. Baby Boomers/Millennials generation or different human life stages (baby, young adults, etc)?

Company's response

Yes, marketing strategies are tailored for the respective products which usually have different target customer profiles.

3.2.4 Does HPIL collaborate with other organizations like insurance companies, SingTel, SAFRA, NUSS, GRAB, shopping malls, etc or feature in 3rd party email newsletter e.g. Singhealth HealthXchange / shopping malls email newsletter? Does HPIL give talks (e.g. nutrition talks) to schools / businesses (e.g. companies' lunch time talk) as part of its outreach?

Company's response

Yes, we have done collaborations with corporate institutions, healthcare institutions and higher traffic retail malls. However, we need to be mindful in conducting such marketing activities to ensure that they have a reasonable ROI.

3.2.5 Any plans to collaborate with famous international cartoon characters or local artists to launch limited edition products?

Company's response

Due to our pharma background, our collaborations are largely with clinicians.

3.2.6 With Singapore gradually moving into the "resume to onsite work place" stage, are there plans for offline marketing activities, e.g. pop-up booths / SMRT billboard advertisements?

Company's response

We will be happy to participate in physical marketing events when such opportunities arise with the opening up of the economy. However, as mentioned earlier, we have to be judicious with our marketing spend.

3.3 As a shareholder and digital savvy consumer for consumer products including skin care, I notice certain common marketing features are conspicuously missing/not prominent:

(a) regular/consistent posting of Youtube videos, Youtube ads

- (b) membership scheme which rewards repeated purchases (customer loyalty)
- (c) marketing features like refer-a-friend program (tapping word-of-mouth marketing), request for samples
- (d) personalized marketing, e.g. recommend products based on human life stages, return to work on-site
- (e) “Before & After” digital marketing for Ceradan Advanced/TDF/CG210, e.g. videos, pictures
- (f) viral marketing campaigns e.g. innovative products like flower shaped stamp foam wash, organize family-friendly runs (virtual format in lieu of COVID-19)

3.3.1 Does HPIL have plans to implement the initiatives above or does HPIL deem these not in line with its business strategy?

Company’s response

These types of marketing activities are more appropriate for direct-to-consumer products like Ocean Health. For most of our products, we focus primarily on scientific backing and efficacy to convince clinicians to prescribe to patients. As mentioned earlier, we have to be judicious with our marketing spend.

3.3.2 Are there plans to significantly deepen the online presence, e.g. significantly increase the number of HPIL/ Ceradan Youtube channel views to catch-up with some of the leading competitor brands, more regular updates of TDF social media, etc?

Company’s response

Digital engagement is an ongoing effort and we are always learning from best practices.

3.3.3 Any plans to appear in other countries’ variety shows talking about skin care / atopic dermatitis as part of the expansion plan? This can help to create product awareness/demand.

Company’s response

We are open to such opportunities but will be selective in the execution of such plans as these product placements generally come with a large sponsorship investment.

3.3.4 What is HPIL’s customer retention strategy in the absence of membership reward program?

Company’s response

It is based on the fundamentals of proven efficacy, best quality and a favourable user experience.

3.4 Based on “Key Events” in annual reports:

- (1) FY2020: 4 Ocean Health products & 2 Ceradan products were launched
- (2) FY2021: 2 Ocean Health product, 1 TDF product & 1 Ceradan product are launched.

According to the IPO prospectus, HPIL collaborates with A*STAR/ICES for the R&D. Over the last 2 years, it seems that compared to Ocean Health, not that many Ceradan / TDF new products are launched:

3.4.1 What is the new products launch pipeline for Ceradan / TDF this year and next?

Company’s response

We are looking at a combined four to five products this year for skin health and supplements products.

3.4.2 Other than the multi-year agreement with A*STAR, any plans to strengthen the R&D roadmap by collaborating with more research institutes (local/overseas) or our leading educational institutions to build a stronger pipeline of dermatological products in the future, considering HPIL is aiming to be Asia’s No.1 skin health company?

Company’s response

We have an ongoing project with A*STAR and will discuss new projects when there is a business case.

3.4.3 How does HPIL determine market trends/demand for Product Conceptualisation? Is it through partner dermatologists for skin care products? What about health supplements? Does HPIL engage existing long time customers e.g. consumer focus group to understand market trends to develop new products to cater to market demands? If not, is that something which HPIL is considering?

Company's response

We tap on market studies and engage with medical professionals or retailers to keep abreast of market trends. Additionally, we also tap on our customers and focus group discussions to gather insights and feedback.

3.4.4 Given that TDF caters to facial skin health whereas Ceradan caters to sensitive skin, are there opportunities for R&D synergies, e.g. launch a Ceradan anti-aging sensitive skin product?

Company's response

Yes, we can leverage on a common technology to apply for both skin brands but the positioning and marketing of the two brands have to remain distinct.

3.4.5 Since Ocean Health is an oral health supplement while Ceradan / TDF are creams, are there plans to R&D to offer an "integrated approach" to skin care/health, i.e. cream + oral health supplement/Novem's nutraceuticals type of offering?

Company's response

Ocean Health has a product called Skin Radiance which is a comprehensive once-a-day formula that helps to keep your skin in tip-top condition from the inside out. It is packed with a proprietary blend of powerful antioxidants, vitamins, minerals, phytonutrients to nourish the skin and encourage healthy skin renewal. This formula is also enhanced with hydrolysed collagen to boost skin's youthful radiance, tone and firmness.

3.4.6 I note the Company launched several new products last year. How are our products superior compared to those of our competitors? For example, in what way(s), is/are our Ceramoz® Mosquito Repellent Patch superior to other Mosquito Repellent patches found in the market? How about for Ocean Health® High Strength Eye Moist Omega Formula, Ocean Health® Joint-Rx® UC-II® Formula and TDF® Blu Voile?

Company's response

We carefully source our products from reputable and reliable suppliers and have received positive feedback from customers who have tried our products.

3.4.7 I noticed that our products such as Ocean Health vitamins and supplements are often not well located in the major pharmacies (Watsons, Guardian, Unity). Often, when I visit the major pharmacies, there are promoters for your competitors but none for us, hence I notice people often buy other brands instead. Do we pay the major pharmacies (Watsons, Guardian, Unity) a fee to display our products? Can we ask or request for better product placement? Do we hire promoters to promote our products in the major pharmacies (Watsons, Guardian, Unity)?

Company's response

Yes, shelf space is chargeable so we typically have a regular space and when doing promotion, we will buy additional space in strategic locations for better publicity. We do have promoters rotating among the stores to promote to walk-in consumers and we also complement the promoters with other marketing mechanisms.

4. Proprietary Brands – Ceradan

4.1 Ceradan is HPIL's flagship brand and clearly differentiated from other brands with its distinctive ceramide-dominant formulation. Given the importance of Ceradan to HPIL's business, are there plans to:

4.1.1 Refresh the marketing by conducting a new study since the QVIA "Top of mind" study was done in 2018 which is about 4 years ago? In this rapidly changing age, highly competitive industry and increasingly demanding customers' expectations, this may seem as "outdated" to consumers.

Company's response

Thank you for the suggestion.

4.1.2 Notwithstanding Ceradan has appointed a local influencer for social media marketing, but there is limited outreach based on the influencer's followers as well as insufficient international focus. Would HPIL consider a parallel cost-effective brand awareness approach by featuring more local customers of various countries on its various main online marketing channels, especially on special occasions like the celebration of mother's day, international women's day, etc?

Company's response

Yes, we do have celebrities and consumers who share their positive experiences after using our products on Instagram and Facebook.

4.1.3 Referring to a sensitive skin competitor brand which is formulated at the Singapore National Skin Center, its website has features that the Ceradan website do not offer e.g. refer a friend, shopping cart, request a sample. While different brands have different marketing strategy, are there plans to further develop Ceradan's website and introduce more marketing features?

Company's response

Thank you for the suggestion.

4.2 Hyphens appointed Shanghai Good Luck in Nov 2020 to gain entry into the China market.

4.2.1 How much revenue & profit were generated in FY2021 and is the Board satisfied with the progress so far?

Company's response

We saw good growth in sales to China in 2021 compared to 2020. However, relative to the country's potential and the Group's revenue, the contribution is not significant. Sales in China are only via an online platform, pending the registration of the products. It is a long journey ahead to create a Ceradan presence in China.

4.2.2 There was a Straits Times article* last year mentioning that Enterprise Singapore ("ESG") has helped some 20 companies to expand to China for the first time. The same article also mentioned some health supplement and healthcare companies expansion to China with help. Is HPIL able to tap on ESG's help or secure any grant?

*<https://www.straitstimes.com/asia/east-asia/singapore-firms-attracted-by-chinas-vast-market-fast-recovery-from-covid-19-pandemic>

Company's response

We constantly tap on ESG's network and resources for our overseas expansion.

4.2.3 What have been the major challenges and what insights has HPIL gained, e.g. (a) how receptive are the Chinese consumers to Ceradan creams compared with local products/ TCM, (b) price points of Ceradan products relative to existing competitor products in China (c) in light of the US/West-China trade tensions and Singapore's "neutral" positioning, does this help in the acceptance of Ceradan in the China market?

Company's response

Today, Ceradan is available in Tmall Global (cross border e-commerce for foreign brands) and thus competes with major US and European brands. Unlike Tmall (local), patrons to Tmall Global seek reputable international brands. Together with our distributor, we continue to develop the premium medical positioning of Ceradan, a Singapore brand.

4.2.4 How was the Chinese consumers' response to Ceradan during major shopping events, e.g. 618 Shopping Festival, Singles Day event (11.11) last year?

Company's response

Instead of fighting for consumers' attention during major shopping events, our focus was on live-streaming event during China-ASEAN Expo (东盟博览会) in September last year. The response was encouraging.

4.2.5 Other than Tmall, are there plans to use other popular online platforms (e.g. Kaola / JD / Pinduoduo / Douyin) collaborate with China influencers, participate in the popular live selling (35% of all e-commerce in China*) to sell Ceradan products?

* <https://mothership.sg/2022/04/live-selling-future-of-e-commerce/>

Company's response

Yes, we are evaluating other e-commerce platforms and exploring with influencers for live-stream sales.

4.2.6 To accelerate the expansion of Ceradan into China, are there plans to collaborate with fellow successful Singapore brands in China, for e.g. Motherswork, Raffles Medical hospitals in China, CapitaLand China?

Company's response

We can explore such local collaborations after we have obtained registration for the products.

4.2.7 Referring to the 13 Jan 2022 Corporate Presentation, HPIL participated in the China International Import Exhibition as well as a collaboration with CMA write-up:

- (a) Can HPIL explain the purpose of the participation and will there be any follow-up actions following the 2 events?
- (b) Are there more similar events scheduled in China or other overseas markets this year?

Company's response

CIIE is an important import-themed event for international brands entering the China market. During this event, Ceradan had a booth in the Singapore Pavilion. We were also given the opportunity to present to the delegates and local officials about the Company and Ceradan's activities in China during the Singapore-China Trade & Investment Forum (SCTIF).

Collaborating with CMA gives us an opportunity to work with the medical community in education and create general awareness amongst the public about eczema and role of ceramide based emollient in its management. We will continue to explore with CMA for suitable future engagements as this will help pave the way for more dialogues when the products are registered in China.

The details are being finalised with regards to our event participation this year.

4.2.8 Are there plans to conduct clinic trials in China, given that China is a potential big market?

Company's response

We do not have such plans at the moment.

5. Proprietary Brands - TDF / CG210

5.1 Besides local medical professionals, what marketing initiatives do HPIL undertake in social media or offline channels to create brand awareness for countries outside Singapore?

Company's response

TDF and CG210 are mainly marketed to healthcare professionals.

5.2 TDF Faience is the first product introduced to the South Korea ("SK") market. How was the reception in SK? Is there a likelihood to introduce the rest of the TDF product portfolio or even Ceradan to SK this year?

Company's response

TDF Fairence in South Korea is still in a very early stage, so there are no current plans to introduce the rest of the portfolio within this year.

5.3 In AGM2020 Q&A, HPIL mentioned that it is open to consider bringing CG 210 to retail channels in Singapore, especially when new SKUs become available. What is the status? What are the challenges?

Company's response

We have launched CG 210 Forte in 1Q2022 and are working to bring CG 210 to retail channels in Singapore.

6. Proprietary Brands - Ocean Health

6.1 In the AGM2020 Q&A, it was mentioned that efforts for Ocean Health to make inroads into the China market have been challenging. Since then, did HPIL undertake any new initiatives other than via the Duty-Free channels (through SUTL) ? What about the sales situation in Sri Lanka, HK, Macau?

Company's response

Sales to Hong Kong and Macau have been steadily rising year-on-year. For Sri Lanka, please refer to response to Q1.9.

6.2 In the IPO prospectus, it was mentioned that Ocean Health products are distributed in Singapore mainly by Zuellig Pharma Pte. Ltd. Is there a reason to use a 3rd party pharmaceutical company? What about the distributors for Ceradan and TDF?

Company's response

Zuellig Pharma has been distributing Ocean Health products since the time Hyphens acquired the company in 2016. This arrangement is reviewed annually and we have continued to engage Zuellig Pharma since they have been doing a good job. Pan-Malayan Pharmaceuticals, a subsidiary of HPIL, is the distributor for Ceradan and TDF in Singapore.

6.3 Any plans to offer a yearly subscription service type of business model for Ocean Health products or promotional tie-up with corporate companies / organizations, nursing homes, child care centers etc? These could entrench customer loyalty and there could even be synergies to tap on WellAway for delivery.

Company's response

These are good suggestions that we can explore as long as it is in accordance with HSA regulations with regard to sale of medicinal products and supplements.

6.4 In the previous AGM Q&A, it was mentioned that HPIL's flagship product Omega-3 Fish Oil is Halal-Certified. Are there plans to introduce more Halal-Certified products? Has HPIL conducted any study on whether there is sufficient local/overseas demand to expand and venture into this business line?

Company's response

Yes, we will continue to expand our portfolio of Halal products if we can identify suitable suppliers.

6.5 As Singaporeans, we can identify with Ocean Health being a well-known brand. At the same time, health supplements may be considered somewhat homogenous in the sense consumers may be too particular amongst the more trusted and established brands, especially when there are special promotions. In fact, a 85-year-old supplement company had filed for bankruptcy in US in 2020, and a SGX-listed health supplement company went into difficulties. In contrast, HPIL is in a strong position, and I think the Clinical Series is promising:

6.5.1 Is the Ocean Health Clinical Series aligned more with the Ocean Health division or Novem's nutraceutical segment? If the latter, are there synergies?

Company's response

The marketing position of Ocean Health Clinical Series is similar to Novem's nutraceuticals. The Group's strength in private clinics market provides a good base for marketing of these products.

6.5.2 Is the Clinical Series product conceptualization geared towards addressing the demand in Singapore or the rest of the world as different parts of the world may have different common medical conditions? Are there plans to bring the series outside Singapore by end of this year?

Company's response

Bringing supplements to countries outside of Singapore requires product registration in each country. We have just launched D-Vita Vitamin D3 Oral Spray, which is under the Ocean Health Clinical Series portfolio, in Malaysia this year.

7. Specialty Pharmaceuticals

7.1 There have been media reports of a jump in demand for cough and cold medication in Singapore in 1Q2022, and more recently, this month about the high demand of Panadol. Recently, I was also surprised to see an online advertisement for nasal hygiene spray by a brand I usually associate with flu tablets (I think it could be a strong competitor to Sterimar spray). Did any of HPIL products encounter high demand in the time period? Are there plans to bring it common retail medication?

Company's response

We saw stronger demand in many products, especially Sterimar in 1Q2022.

7.2 Have elective surgeries and doctor visits for non-COVID-19 related illnesses resumed in the primary markets (Singapore/Vietnam) and has this led to a pent-up demand for HPIL products?

Company's response

Yes, and this has helped to boost the sales of Biosensors and contrast media products.

7.3 HPIL currently has significant experience in certain therapeutic areas/medical specialties. Are there plans to develop experience / expertise in other areas/specialties (e.g. based on most common medical conditions / areas of highest demand for specialty medicine either in ASEAN countries or HPIL's biggest markets), so as to subsequently bring in those products?

Company's response

Our strategy is to build products in our current therapeutic areas or in related areas.

7.4 HPIL signed an exclusive licensing deal to commercialise Ustekinumab biosimilar in Singapore, Malaysia, and the Philippines. In AR2021, HPIL also mentioned that it will continue to actively and carefully seek licencing opportunities for new products. Typically for such ventures, what are the stages that HPIL have to undertake before achieving commercialisation? What is the estimated timeline in Ustekinumab biosimilar's case?

Company's response

Ustekinumab is currently undergoing clinical studies. There are three more stages to go according to the manufacturer, Alvotech, namely Filing, Approval and Launch. After the product has been approved in EU, we will submit the product dossier to the regulatory authorities in Singapore, Malaysia and the Philippines. We estimate that it will take a few years before we can commercialise this product in our region.

8. Virtual Hypermart / WellAway

8.1 In FY2018 (IPO year), the Hypermart segment's EBITA profit margin is 5%. In FY2021, the margin is only 3.6%. In addition, the revenue has increased by less than 1% in FY2020, despite that fact that, mentioned in AR2021 that the virtual Hypermart has seen a spike in usage since the onset of the COVID-19 pandemic.

8.1.1 What is a sustainable net profit margin expected for this segment? Has the Hypermart ever incurred a loss in its operating history?

Company's response

The Medical Hypermart and Digital segment is operating in a very competitive market. We plan to invest into its digital assets to transform the business. Our records for the past 15 years since FY2007 state that Pan-Malayan Pharmaceuticals has been profitable.

8.1.2 Referring to the segment results (FY2021, circa):

Proprietary Brands ("PB") - Revenue: \$19m, Profit: \$1.43m

Hypermart - Revenue: \$41m, Profit: \$1.48m (a lot more revenue but similar profit as PB)

The established Hypermart is part of the core strategy/business of HPIL. But from a financial viewpoint, it may be worth considering disposing of the Hypermart should an opportunity arise and invest the proceeds/re-focus the whole company on growing the Specialty Pharmaceuticals ("SP") and PB segments more aggressively. Despite this, there seems to be more significant developments in the Hypermart Segment (i.e. WellAway / DocMed), than the SP and PB segments.

What is the management's view on this?

Company's response

Our plan is to continue to invest in the digital assets like WellAway, virtual hypermart and DocMed to transform this business segment.

8.2 In the 2018 IPO Prospectus, it was mentioned that as of 31 Dec 2017, 1,343 clinics (about 65.0% of the total clinic customer base) have registered an online profile with HPIL. According to MOH's website, there are about 1800 clinics in Singapore.

8.2.1 Has HPIL been proactively reaching out to the other unregistered / newly setup clinics / nursing homes / business entities? Typically, how soon does a HPIL sales representative approach a newly setup establishment to market the Virtual Hypermart?

Company's response

New clinics typically will reach out to Pan-Malayan to stock up because of its convenient one-stop service. Our sales representatives also visit new clinics to sign them up. All existing and new clinic customers are given access to the virtual hypermart.

8.2.2 Do the customer base include dental or specialist clinics? If not, are there plans to expand to these segments?

Company's response

Yes, our customer base includes specialists and dental clinics.

8.2.3 According to the IPO prospectus, it has been a trend in recent years for several clinics to band together in a large purchasing group to bulk purchase and extract discounts directly from the principals/distributors. In addition, there are also Singapore listed medical groups with their pharmaceutical arm. How does HPIL mitigate these challenges?

Company's response

The wide range of products that Pan-Malayan carries, and our reliable service, prompt delivery and competitive pricing are our competitive advantages.

8.2.4 In the current digitization age, is there a possibility for brand principals to by-pass the Hypermart and directly offer competitive prices to the clinics, for e.g. a B2B type of Lazada/Shopee model?

Company's response

Sure, technology can be both a disruptor or enabler, depending on how we can embrace technology to our advantage.

8.3 In AR2021, HPIL mentioned it sees great potential in WellAway to provide better pharmaceutical care for patients and contribute to overall healthcare efficiency. WellAway also has a collaboration with SATA CommHealth:

8.3.1 In Singapore, retail pharmacies/clinics are easily accessible in the neighbourhood and we also have well-connected transport links. While Wellaway may address certain segments (e.g. elderly, immobile, patients with chronic illness),

(a) How viable is the WellAway business model considering factors like limited profit margin of medication, increasing high delivery costs due to inflationary pressures & possibly heightened gig workers' legislation, lack of bulk purchases by individual patients, etc?

Company's response

The WellAway business model is viable to us because we already have certain infrastructure and processes in place with our existing hypermart business. Furthermore, WellAway is also part of a larger plan by DocMed to develop an integrated healthtech platform that can have potential regionalisation possibilities.

(b) Does WellAway need a certain economy of scale to be profitable?

Company's response

We expect more investment in the initial years to quickly scale up operations and capture a first-mover advantage. Like most start-ups, profitability may not be the only measurement of its success.

(c) Notwithstanding WellAway is at the early growth stage, in the longer term, will WellAway raise/lower the profit margin of the Hypermart segment? Can HPIL provide more details on the sustainability of the WellAway business model?

Company's response

Like all start-ups, WellAway needs to remain agile and adaptable to capture opportunities that arise. Its current business model is to an enabler for all healthcare stakeholders by partnering clinics to deliver high-quality medication services, in a safe, easy and efficient manner in order for patients to enjoy utmost convenience for their medication needs.

8.3.2 During the beta phase, more than 140 clinics have signed up with about 20 prescriptions being delivered daily.* Currently:

(a) How many clinics have signed up or have all the Virtual Hypermart registered clinics signed up?

(b) How many daily prescriptions are delivered on average?

*<https://redhot.sg/first-hsa-registered-e-pharmacy-in-singapore-launched-94389.html>

Company's response

The statistics have improved significantly but we shall keep the details confidential for competitive reasons.

8.3.3 Does the business model of WellAway allow it to participate in tenders of medicine delivery by our polyclinics, hospitals if applicable?

Company's response

Yes, this is something that we can always explore.