

iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2016

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

1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended			Group 12 months ended		
	30.06.16 S\$'000	30.06.15 S\$'000 (Restated)	Incr/(Decr) %	30.06.16 S\$'000	30.06.15 S\$'000 (Restated)	Incr/(Decr) %
Revenue	1,705	2,237	(24%)	5,797	7,445	(22%)
Cost of sales	(1,053)	(1,040)	1%	(4,090)	(4,166)	(2%)
Gross profit	652	1,197	(46%)	1,707	3,279	(48%)
	38%	53%		29%	44%	
Other income	3,179	59	n.m.	3,979	616	n.m.
Expenses						
- Research and development	(1,445)	(766)	89%	(5,610)	(4,505)	25%
- Sales and marketing	(212)	(107)	98%	(659)	(362)	82%
- General and administrative	(1,382)	(1,979)	(30%)	(6,106)	(7,045)	(13%)
- Others	(311)	(1,197)	(74%)	(1,047)	(2,311)	(55%)
- Finance expense	(19)	(9)	111%	(47)	(47)	0%
Total expenses	(3,369)	(4,058)	(17%)	(13,469)	(14,270)	(6%)
Profit / (Loss) before income tax	462	(2,802)	n.m.	(7,783)	(10,375)	25%
Income tax (expense)/credit	(61)	(102)	(40%)	80	(186)	n.m.
Profit / (Loss) for the financial period	401	(2,904)	n.m.	(7,703)	(10,561)	27%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Gain/(loss) - net of tax	149	7	n.m.	61	(55)	n.m.
Total comprehensive profit / (loss)	550	(2,897)	n.m.	(7,642)	(10,616)	28%

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

Note: The presentation of analysis of expenses in the statement of comprehensive income have been changed to the classification based on function of expenses, which provides information that is more relevant and informative to users of the financial statements. Comparative figures in the statement of comprehensive income based on nature of expenses have been changed from the previous year to conform to current year's presentation.

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

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

	Note	Group			Group		
		3 months ended			12 months ended		
		30.06.16 S\$'000	30.06.15 S\$'000	Incr/ (Decr) %	30.06.16 S\$'000	30.06.15 S\$'000	Incr/ (Decr) %
After crediting:							
Research and development tax incentive	(i)	3,131	43	n.m.	3,872	478	n.m.
Interest income		7	8	(13%)	34	57	(40%)
After charging:							
Share based payment expense	(ii)	70	544	(87%)	412	2,441	(83%)
Depreciation and amortisation expense		250	185	35%	932	892	4%
Currency exchange losses - net		311	210	48%	890	1,061	(16%)
Interest expense		19	9	111%	47	47	0%
Initial public offering related expense	(iii)	-	1,003	n.m.	180	1,358	(87%)

(i) The research and development (“R&D”) tax incentive is a programme administered jointly by the Australian Taxation Office and Innovation Australia to provide a 45% refundable tax offset for expenditure incurred for eligible R&D activities. The increase in R&D tax incentive in 4Q16 was due to R&D activities carried out overseas that were recently approved as eligible for refundable tax offset purposes.

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

In financial year ended 30 June 2015, the Company granted and issued 1,000,000 and 100,000 ordinary shares (before sub-division) to certain directors as remuneration paid for services rendered during the year and an employee for loss of office, respectively, for nil consideration.

(iii) The initial public offering related expense was one-off expense for activities related to the Company’s listing on the Catalist Board of the Singapore Exchange Securities Trading Limited.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.16	30.06.15	30.06.16	30.06.15
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	31,327	8,891	30,735	7,837
Trade and other receivables	4,884	1,738	2,703	1,315
Other current assets	542	306	276	171
	<u>36,753</u>	<u>10,935</u>	<u>33,714</u>	<u>9,323</u>
Non-current assets				
Deposits – operating lease	23	60	23	60
Intangible assets	1,793	2,236	-	-
Property, plant and equipment	7,541	2,169	119	148
Investments in subsidiaries	-	-	5,404	3,819
	<u>9,357</u>	<u>4,465</u>	<u>5,546</u>	<u>4,027</u>
Total assets	<u>46,110</u>	<u>15,400</u>	<u>39,260</u>	<u>13,350</u>
LIABILITIES				
Current liabilities				
Trade and other payables	3,063	3,034	959	1,605
Current income tax liabilities	-	37	-	-
Borrowings	207	84	-	-
Contingent consideration payable	-	789	-	789
Provision	151	160	-	-
	<u>3,421</u>	<u>4,104</u>	<u>959</u>	<u>2,394</u>
Non-current liabilities				
Provision	30	14	-	-
Deferred government grant	67	104	-	-
Borrowings	4,045	397	-	-
Deferred income tax liabilities	356	537	-	-
	<u>4,498</u>	<u>1,052</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,919</u>	<u>5,156</u>	<u>959</u>	<u>2,394</u>
NET ASSETS	<u>38,191</u>	<u>10,244</u>	<u>38,301</u>	<u>10,956</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	64,998	29,019	64,998	29,019
Shares to be issued	465	-	465	-
Other reserves	490	1,284	444	1,299
Accumulated losses	(27,762)	(20,059)	(27,606)	(19,362)
Total equity	<u>38,191</u>	<u>10,244</u>	<u>38,301</u>	<u>10,956</u>

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

	30.06.16 S\$'000	30.06.15 S\$'000
Amount repayable in one year or less, or on demand		
- Secured	207	84
Amount repayable after one year		
- Secured	4,045	129
- Unsecured	-	268
Total borrowings	<u>4,252</u>	<u>481</u>

Details of any collateral:

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

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	3 months ended		12 months ended	
	30.06.16	30.06.15	30.06.16	30.06.15
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Total profit/(loss) after tax	401	(2,904)	(7,703)	(10,561)
Adjustments for:				
- Deferred government grant income	(9)	(8)	(34)	(81)
- Depreciation and amortisation expense	250	185	932	892
- Income tax expense/(credit)	61	102	(80)	186
- Interest income	(7)	(8)	(34)	(57)
- Interest expense	19	9	47	47
- Provision expense	8	6	12	51
- Research and development tax incentive	(3,131)	(43)	(3,872)	(478)
- Share based payment expense	70	544	412	2,441
- Change in fair value of contingent consideration payable	-	(16)	(23)	(108)
- Unrealised currency exchange losses – net	283	118	843	620
	<u>(2,055)</u>	<u>(2,015)</u>	<u>(9,500)</u>	<u>(7,048)</u>
Changes in working capital, net of effects from acquisition of subsidiaries:				
- Trade and other receivables	(311)	300	313	(761)
- Other current assets	(29)	(128)	(203)	(335)
- Trade and other payables	507	630	17	1,495
	<u>(1,888)</u>	<u>(1,213)</u>	<u>(9,373)</u>	<u>(6,649)</u>
Cash used in operations				
Interest received	7	8	32	57
Income tax paid	(480)	-	(480)	-
Research and development tax incentive received	431	-	695	139
	<u>(1,930)</u>	<u>(1,205)</u>	<u>(9,126)</u>	<u>(6,453)</u>
Net cash used in operating activities				
Cash flows from investing activities				
Additions of subsidiaries, net of cash acquired	(738)	-	(738)	-
Additions to property, plant and equipment	(80)	(7)	(1,119)	(265)
Additions to intangible assets	(24)	-	(42)	(142)
Payment of contingent consideration payable	-	(732)	(766)	(732)
Proceeds from government grant	-	-	-	129
	<u>(842)</u>	<u>(739)</u>	<u>(2,665)</u>	<u>(1,010)</u>
Net cash used in investing activities				
Cash flows from financing activities				
Proceeds from issuance of ordinary shares and shares to be issued	5,490	-	35,620	5,627
Transaction costs paid pursuant to the initial public offering and private placement	(176)	-	(1,240)	-
Repayment of borrowings	(34)	(500)	(103)	(964)
Proceeds from borrowings	583	-	636	-
Interest paid	(20)	(4)	(32)	(20)
Increase in pledged fixed deposits	-	-	(400)	-
	<u>5,843</u>	<u>(504)</u>	<u>34,481</u>	<u>4,643</u>
Net cash from/(used in) financing activities				
Net increase/(decrease) in cash and cash equivalents	3,071	(2,448)	22,690	(2,820)
Cash and cash equivalents				
Beginning of financial period/year	27,859	11,415	8,891	12,083
Effects of currency translation on cash and cash equivalents	(3)	(76)	(654)	(372)
	<u>30,927</u>	<u>8,891</u>	<u>30,927</u>	<u>8,891</u>
End of financial period/year				

Cash and cash equivalents comprise the following:

	Group	
	30.06.16	30.06.15
	S\$'000	S\$'000
Cash and cash equivalents in Balance Sheet	31,327	8,891
Less: Bank deposits pledged	(400)	-
Cash and cash equivalents per consolidated statement of cash flows	<u>30,927</u>	<u>8,891</u>

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

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

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

Attributable to equity holders of the Company

Group	Share capital	Shares to be issued	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2014	21,438	134	678	40	(9,498)	12,792
Loss for the period	-	-	-	-	(7,657)	(7,657)
Other comprehensive loss for the period	-	-	-	(62)	-	(62)
Total comprehensive loss for the period	-	-	-	(62)	(7,657)	(7,719)
Share based payment scheme						
- Value of consultants' services	-	-	213	-	-	213
- Value of employees' services	-	-	204	-	-	204
Issue of new shares	5,761	(134)	-	-	-	5,627
Fair value of new shares issued to directors as fully paid for nil consideration	1,480	-	-	-	-	1,480
Total transactions with owners, recognised directly in equity	7,241	(134)	417	-	-	7,524
At 31 March 2015	28,679	-	1,095	(22)	(17,155)	12,597
Loss for the period	-	-	-	-	(2,904)	(2,904)
Other comprehensive profit for the period	-	-	-	7	-	7
Total comprehensive loss for the period	-	-	-	7	(2,904)	(2,897)
Share based payment scheme						
- Value of consultants' services	-	-	32	-	-	32
- Value of employees' services	-	-	172	-	-	172
Fair value of new shares issued to employee as fully paid for nil consideration	340	-	-	-	-	340
Total transactions with owners, recognised directly in equity	340	-	204	-	-	544
At 30 June 2015	29,019	-	1,299	(15)	(20,059)	10,244

Company	Share capital	Shares to be issued	Share based payment reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2015	29,019	-	1,299	(19,362)	10,956
Loss for the period	-	-	-	(6,437)	(6,437)
Total comprehensive loss for the period	-	-	-	(6,437)	(6,437)
Share based payment scheme					
- Value of employees' services	-	-	342	-	342
Share options exercised	1,267	-	(1,267)	-	-
Shares issued pursuant to the initial public offering, net of transaction costs	29,066	-	-	-	29,066
Total transactions with owners, recognised directly in equity	30,333	-	(925)	-	29,408
At 31 March 2016	59,352	-	374	(25,799)	33,927

Company	Share capital	Shares to be issued	Share based payment reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 March 2016	59,352	-	374	(25,799)	33,927
Loss for the period	-	-	-	(1,807)	(1,807)
Total comprehensive loss for the period	-	-	-	(1,807)	(1,807)
Share based payment scheme					
- Value of employees' services	-	-	70	-	70
Receipts for shares to be issued pursuant to the rights issue	-	465	-	-	465
Shares issued pursuant to the private placement, net of transaction costs	4,849	-	-	-	4,849
Issue of new shares for acquisition of subsidiaries	797	-	-	-	797
Total transactions with owners, recognised directly in equity	5,646	465	70	-	6,181
At 30 June 2016	64,998	465	444	(27,606)	38,301
At 1 July 2014	21,438	134	678	(10,039)	12,211
Loss for the period	-	-	-	(4,159)	(4,159)
Total comprehensive loss for the period	-	-	-	(4,159)	(4,159)
Share based payment scheme					
- Value of consultants' services	-	-	213	-	213
- Value of employees' services	-	-	204	-	204
Issue of new shares	5,761	(134)	-	-	5,627
Fair value of new shares issued to directors as fully paid for nil consideration	1,480	-	-	-	1,480
Total transactions with owners, recognised directly in equity	7,241	(134)	417	-	7,524
At 31 March 2015	28,679	-	1,095	(14,198)	15,576
Loss for the period	-	-	-	(5,164)	(5,164)
Total comprehensive loss for the period	-	-	-	(5,164)	(5,164)
Share based payment scheme					
- Value of consultants' services	-	-	32	-	32
- Value of employees' services	-	-	172	-	172
Fair value of new shares issued to employee as fully paid for nil consideration	340	-	-	-	340
Total transactions with owners, recognised directly in equity	340	-	204	-	544
At 30 June 2015	29,019	-	1,299	(19,362)	10,956

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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Company	No. of ordinary shares	Amount S\$'000
At 1 July 2015	524,694,220	29,019
Shares issued pursuant to the initial public offering	65,500,000	30,130
Share options exercised	9,600,000	1,267
Less: Transaction costs pursuant to the initial public offering	-	(1,064)
At 31 March 2016	599,794,220	59,352
Shares issued pursuant to the private placement	14,358,000	5,025
Shares issued pursuant to the acquisition of subsidiaries	454,887	797
Less: Transaction costs pursuant to the private placement	-	(176)
At 30 June 2016	614,607,107	64,998

The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 22 July 2015. Upon the initial public offering ("IPO"), the Company issued 65,500,000 ordinary shares for a total consideration of S\$30,130,000.

The Company issued 9,600,000 ordinary shares to its consultants and employees through exercise of the share acquisition rights during the financial year ended 30 June 2016.

In April 2016, the Company completed a private placement of 14,358,000 ordinary shares for a total consideration of S\$5,025,300.

On 26 May 2016, the Company completed the acquisition of the entire issued and paid-up equity units of Arrow Property Trust ("APT") and equity shares in Kaizen Manufacturing Pty Ltd. The contracted purchase consideration of AUD1.10 million was satisfied in full through (a) the issuance of 454,887 ordinary shares and (b) the payment of AUD495,000 in cash.

Save for the foregoing, there are no other changes in the Company's share capital arising from any rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous reported period.

The Company had on 17 June 2015, adopted the "iX Employee Share Option Scheme" and "iX Performance Share Plan", and has not granted any options/shares under these schemes as at 30 June 2016.

As at 30 June 2016, the unexercised share acquisition rights granted to various consultants and employees for services rendered to the Group amounted to 5,000,000 (30 June 2015: 14,700,000).

There were no treasury shares as at 30 June 2016 and 30 June 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 June 2016, the number of issued shares excluding treasury shares was 614,607,107 (30 June 2015: 524,694,220).

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

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

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the applicable new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 July 2015. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

The presentation of analysis of expenses in the statement of comprehensive income have been changed to the classification based on function of expenses, which provides information that is more relevant and informative to users of the financial statements. Comparative figures in the statement of comprehensive income based on nature of expenses have been changed from the previous year to conform to current year's presentation.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

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

	Group		Group	
	3 months ended		12 months ended	
	30.06.16	30.06.15	30.06.16	30.06.15
Net profit/(loss) attributable to equity holders of the Company (S\$'000)	401	(2,904)	(7,703)	(10,561)
Weighted average number of shares outstanding ('000)	611,317	524,310	595,408	502,442
Basic profit/(loss) per share (Cents per share)	0.1	(0.6)	(1.3)	(2.1)

The Company has 5,000,000 shares options (30 June 2015: 14,700,000 shares options) that could potentially dilute basic earnings per share in the future but were not included in the calculation of

diluted loss per share above because they are anti-dilutive for the financial periods presented, having the effect of decreasing the loss per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.06.16	30.06.15	30.06.16	30.06.15
Net asset value per ordinary share (in cents)	6.2	2.0	6.2	2.1

The net asset value per ordinary share of the Group and the Company as at 30 June 2016 were calculated based on the total number of issued shares of 614,607,107 (30 June 2015: 524,694,220).

There were no treasury shares as at 30 June 2016 and 30 June 2015.

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

Overview

The Group is primarily a late-stage specialty pharmaceutical company with initial focus on the development and commercialisation of innovative therapies for pain management and male erectile dysfunction. The Company leverages its drug formulation expertise and patented sublingual drug delivery technology, **WaferiX™**, to develop products for rapid onset of action with more predictable effects and ease of use.

In addition, it operates a Therapeutic Goods Administration of Australia ("TGA") compliant chemical testing laboratory in Australia. It provides analytical services comprising chemical testing, complex problem solving and quality assurance services for pharmaceuticals and health supplements.

During the financial year, the Group had been active in increasing its product pipelines and research and development ("R&D") activities as summarised below:

Products	Product Description	Development Status
Wafermine™	Sublingual ketamine for acute, severe and chronic pain	In preparation for Phase 2D efficacy study
PheoniX™ / WaferED™	Sublingual sildenafil for the treatment of male erectile dysfunction	Completed pivotal study
BnoX™ / Wafenorphine™	Sublingual buprenorphine for moderate to severe pain	Completed formulation and in preparation for pharmacokinetic (PK) study
WafeRest™	Sublingual melatonin for jetlag and improved sleep quality	Pre-clinical completed and in preparation for filing with TGA for export listing
Wafernyl™	Sublingual fentanyl for breakthrough, acute, post-operative and traumatic pain	Under re-evaluation

Additional information on each of the above are as follows:

Wafermine™

The Group undertook and successfully completed KET-009, a Phase 2 multi-dose, placebo-controlled clinical study of Wafermine™. The study, which was completed as scheduled and within

budget, confirmed the safety and good tolerability of the product when administered alone and in combination with opioids through three different dosing regimens, in subjects undergoing unionectomy. Wafermine™ is currently supplied by our GMP-compliant facility in Australia to hospitals and registered pharmacies in Australia under the Special Access Scheme exemption set out in Schedule 5A of the Therapeutic Goods Regulation 1900 of Australia (“TGR”).

PheoniX™/ WaferED™

The Group has completed a bioequivalence pivotal study of PheoniX™ pending finalisation of its results.

BnoX™/ Wafenorphine™

The Group has completed the formulation for a buprenorphine product utilising its WaferiX™ drug delivery technology in FY2016. Upon completion of a successful PK study, our GMP-compliant facility in Australia will be able to supply BnoX™, our second pain management product, to hospitals and registered pharmacies in Australia under the Special Access Scheme exemption set out in Schedule 5A of the TGR.

WafeRest™

The Group has completed the pre-clinical development of a melatonin product utilising its WaferiX™ drug delivery technology, and commenced batch stability testing in FY2016. Upon completion of stability testing, the Group will file the product for export listing with the TGA for sale.

Wafernyl™

The Group is re-evaluating the time-to-market of Wafernyl™ product given the current market trends.

Review of performance for quarter (“4Q16”) and year (“FY2016”) ended 30 June 2016

Revenue & Gross Margin

	4Q16	4Q15	Incr/ (Decr)	FY2016	FY2015	Incr/ (Decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Specialty Pharmaceutical	7	23	(70%)	103	111	(7%)
Chemical Analysis	1,698	2,214	(23%)	5,694	7,334	(22%)
Total revenue	1,705	2,237	(24%)	5,797	7,445	(22%)

The Group’s revenue for the quarter ended 30 June 2016 (“4Q16”) was S\$1.71 million as compared to S\$2.24 million for the same quarter last year (“4Q15”). Revenue for financial year ended 30 June 2016 (“FY2016”) was S\$5.80 million as compared to S\$7.45 million for the financial year ended 30 June 2015 (“FY2015”).

- (1) The chemical analysis business, which is the provision of laboratory testing services, accounted for S\$1.70 million or 99% of our total revenue in 4Q16, and S\$5.69 million or 98% of total revenue in FY2016.

The segment recorded lower revenue in 4Q16 and FY2016 mainly due to:

- (a) the weakening of the Australian dollar when translated into the reporting currency (Singapore dollars), resulting in decrease of S\$0.1 million and S\$0.5 million in revenue for 4Q16 and FY2016 respectively.
- (b) the reduction in market demand for Essential Similarity (“ES”) testing services for 4Q16 and FY2016.

FY2015 was a bumper year for our ES testing business where a large number of molecules (oral dosage form) were coming off patent. Consequently, ES testing revenue was lower by S\$0.5 million and S\$1.2 million for 4Q16 and FY2016 respectively.

- (2) The specialty pharmaceutical business accounted for S\$0.01 million or 1% of total revenue in 4Q16, and S\$0.10 million or 2% of total revenue in FY2016. Supplies of our Wafermine™

product under the exemption set out in Schedule 5A of the TGR were limited by our Good Manufacturing Practice (“GMP”) production capacity.

In 4Q16, cost of sales, comprising mainly personnel, consumables, facilities and other expenses relating provision of chemical analysis services, was S\$1.05 million in 4Q16, a marginal increase of 1% as compared to 4Q15 mainly due to higher staff cost for the preparation and development work for clinical trials drawn from the excess testing capacity and resources in the Chemical Analysis business that would otherwise needed to be procured externally. In FY2016, cost of sales was S\$4.09 million, decreased by 2% as compared to S\$4.17 million in FY2015 mainly due to the weakening of the Australian dollar, and partially offset by higher staff cost.

As a result of the above, our Group recorded a gross profit of S\$0.65 million or 38% of revenue in 4Q16 and S\$1.71 million or 29% of revenue in FY2016. Comparatively, our Group recorded a gross profit of S\$1.20 million or 53% of revenue in 4Q15 and S\$3.28 million or 44% of revenue in FY2015.

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

The Group conducts its R&D activities through its subsidiaries in Australia and have been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia to provide 45% refundable tax offset for expenditure incurred in Australia by the subsidiaries. In June 2016, Innovation Australia approved the Group’s application to include certain overseas expenditure incurred by the Group as eligible R&D expenditure for the purpose of this R&D tax incentive. Consequently, the Group recognised an additional S\$2.42 million for 4Q16 and FY2016.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

	4Q16	4Q15	Incr/ (Decr)	FY2016	FY2015	Incr/ (Decr)
	S\$’000	S\$’000	%	S\$’000	S\$’000	%
Clinical trials	703	224	214%	3,035	3,140	(3%)
Outsourced services and consultancy	69	167	(59%)	550	231	138%
Employee compensation	340	186	83%	1,256	663	89%
Consumables	49	64	(23%)	136	114	19%
Facilities, depreciation and others	284	125	127%	633	357	77%
Total R&D expense	1,445	766	89%	5,610	4,505	25%

R&D expense was S\$1.45 million in 4Q16, as compared to S\$0.77 million in 4Q15. In FY2016, R&D expense was S\$5.61 million, an increase of S\$1.10 million or 25% from S\$4.51 million in FY2015. The Group undertook more R&D activities in drug development, including formulation and preparation works, equipment validation, batch and stability testing and product manufacturing and supply for clinical trials. For our clinical studies in FY2016, a pilot study of PheoniX™ and a Phase 2C clinical trial for Wafermine™ were completed, while a pivotal study of PheoniX™ was completed pending finalisation of its results.

Sales and marketing

Sales and marketing expense was S\$0.66 million in FY2016 as compared to S\$0.36 million in FY2015, as the Group began preparing for commercialisation of its products. These include increases in headcounts and participations in trade exhibitions and conferences.

General and administrative

In 4Q16, general and administrative expense decreased by S\$0.60 million or 30% mainly due to:

- the one-off share based payments of S\$0.47 million in 4Q15 to certain directors, employees and consultants as remuneration paid for services rendered during the year and an employee for loss of office; and

- Lower trademark and patents filing expense by S\$0.13 million.

In FY2016, these expenses decreased by S\$0.94 million or 13% in FY2016, mainly due to the following:

- the one-off share based payments of S\$1.82 million in FY2015 to certain directors, employees and consultants as remuneration paid for services rendered during the year and an employee for loss of office; offset by
- additional headcounts hired to support the corporate function of S\$0.60 million and increase in directors' fees of S\$0.28 million due to the appointment of additional directors for listing compliance pursuant to the IPO.

Others

Others consist of currency exchange losses, one-off IPO related expense and change in fair value of contingent consideration payable. The higher other expenses in 4Q15 and FY2015 was mainly due to the one-off IPO listing expense of S\$1.00 million and S\$1.36 million respectively.

Currency exchange losses increased by S\$0.10 million or 48% to S\$0.31 million in 4Q16, mainly in currency exchange losses which resulted from the depreciation of the Australian dollar against the Singapore dollar for the Australian dollar denominated cash deposits and receivables from subsidiaries.

For FY2016, currency exchange losses decreased by S\$0.17 million or 16% to S\$0.89 million mainly in currency exchange losses due to depreciation of the US dollar and the Australian dollar against the Singapore dollar for the Group's foreign currency denominated cash deposits and receivables from subsidiaries.

Review of financial position

As at 30 June 2016, the Group's cash and cash equivalents was S\$31.33 million. This was an increase of S\$22.44 million or 252% from 30 June 2015 ("FY2015"), mainly due to proceeds from the issuance of ordinary shares pursuant to the IPO and private placement of S\$30.13 million and S\$5.03 million respectively, offset by related transaction costs for issuance of shares of S\$1.24 million and cash outflows in operating activities of S\$9.13 million.

Trade and other receivables was S\$4.88 million, an increase of S\$3.15 million from FY2015 mainly due to higher research and development tax incentive receivable of S\$3.50 million, offset by trade receivables from lower sales activities in the chemical analysis business of S\$0.48 million.

Property, plant and equipment and intangible assets were S\$9.33 million, a net increase of S\$4.93 million from S\$4.41 million in FY2015. The increase was mainly attributable to the acquisition of a property in Croydon, Victoria for AUD\$4.53 million, which is an operating plant for the manufacturing of pharmaceutical products and chemical analysis previously leased to our subsidiaries. The property was held by APT, which became a wholly-owned subsidiary in May 2016 following the exercise of the AP Trust Call Option and KMPL Call Option by the Company. Also, additions of fixed assets amounted to S\$1.16 million, including a freezer dryer of S\$0.62 million, partially offset by depreciation and amortisation expense of S\$0.93 million.

Current and non-current borrowings were S\$4.25 million in FY2016, an increase of S\$3.77 million from S\$0.48 million in FY2015, mainly attributable to a bank loan of AUD\$3.50 million arising from the acquisition of APT. The loan was secured over a property in Croydon, Victoria. In addition, there were increased bank borrowings by a subsidiary of S\$0.64 million to finance the purchase of new equipment and a motor vehicle.

Cash flow analysis

For 4Q16, the Group recorded a net cash used in operating activities of S\$1.93 million, which comprised mainly cash outflow from operating activities of S\$2.06 million, offset by a net increase in working capital of S\$0.13 million.

Net cash used in investing activities in 4Q16 was S\$0.84 million, which comprised mainly S\$0.74 million in acquisition of the net assets in APT.

Net cash from financing activities in 4Q16 was S\$5.84 million, which comprised mainly the net proceeds of S\$4.85 million from issuance of ordinary shares pursuant to the private placement in April 2016, receipt of S\$0.47 million from a shareholder pursuant to its undertaking in relation to subscribe for its entitlement under the rights issue in July 2016, and proceeds from borrowings of S\$0.58 million to finance the purchase of a freeze dryer.

For FY2016, cash outflow from operating activities was S\$9.50 million, partially offset by a net increase in working capital of S\$0.37 million. As a result, the Group recorded a net cash used in operating activities of S\$9.13 million.

Net cash used in investing activities in FY2016 was S\$2.67 million, which comprised mainly additions to property, plant and equipment of S\$1.16 million, payment of S\$0.77 million for second earn-out as part of the consideration in the acquisition of subsidiary, and acquisition of the net assets in APT of S\$0.74 million.

Net cash from financing activities in FY2016 was S\$34.48 million, which comprised mainly net proceeds of S\$33.92 million from the issuance of ordinary shares pursuant to the IPO and private placement, receipt of S\$0.47 million from a shareholder pursuant to its undertaking in relation to subscribe for its entitlement under the rights issue in July 2016, proceeds from borrowings of S\$0.64 million to finance the purchase of new fixed assets, and partially offset by increase in pledged fixed deposits of S\$0.40 million.

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

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

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

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

The Group has plans to increase product awareness, principally for Wafermine™ and BnoX™ in trade exhibitions and conferences. Leveraging on its proprietary WaferiX™ delivery platform, the Group will continue to develop new products by identifying suitable approved drug molecules for delivery through sublingual mucosa for rapid absorption and onset of action.

11. If a decision regarding dividend has been made:

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

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) Books closure date

Not applicable.

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

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

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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

14. Use of Proceeds

(a) Initial Public Offer

Pursuant to the IPO, the Company received total proceeds of S\$30.13 million ("IPO Proceeds"). As at 30 June 2016, the IPO Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
To fund the clinical trials for the development of our products, and for preparing and submitting an ANDA or NDA as the case may be, to the FDA for marketing approval and commercialisation of our products in the United States, and where it is commercially viable to do so, in other parts of the world upon receipt of the relevant regulatory approvals	26,200	(3,284)	22,916
General working capital purposes	1,413	(1,413)	-
Listing expenses	2,517	(2,517)	-
Total	30,130	(7,214)	22,916

Details of working capital used:

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

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

(b) Private Placement

Pursuant to the private placement of 14,358,000 shares on 21 April 2016, the Company received net proceeds of S\$4.85 million ("Placement Proceeds"). As at 30 June 2016, the Placement Proceeds have not been utilised.

(c) Rights Issue

Subsequent to the financial year, pursuant to the rights issue of 24,584,284 shares on 22 July 2016, the Company received net proceeds of S\$4.94 million ("Rights Proceeds"). As at the date of this announcement, the Rights Proceeds have not been utilised.

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

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

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(a) Business segments

The Group's business comprises of the Specialty Pharmaceutical and Chemical Analysis segments. Specialty Pharmaceutical's primary business activities are the development, manufacturing and sale of pharmaceutical products. Chemical Analysis' primary business activities are the provision of laboratory testing services. Other non-operating segment comprises principally corporate and related functions and is not included as part of reportable segments.

Group	Specialty Pharmaceutical		Chemical Analysis		Total	
	FY2016 S\$000	FY2015 S\$000	FY2016 S\$000	FY2015 S\$000	FY2016 S\$000	FY2015 S\$000
Revenue						
Total segment sales	103	111	5,694	7,364	5,797	7,475
Inter-segment sales	-	-	-	(30)	-	(30)
Sales to external parties	103	111	5,694	7,334	5,797	7,445
Adjusted EBITDA	(6,165)	(5,259)	676	2,478	(5,489)	(2,781)

	FY2016 S\$'000	FY2015 S\$'000
Adjusted EBITDA is reconciled to loss before income tax as follows:		
	(10,530)	(8,613)
Specialty Pharmaceutical	(6,165)	(5,259)
Chemical Analysis	676	2,478
Other non-operating segment	(5,041)	(5,832)
	(10,530)	(8,613)
Research and development tax incentive	3,872	478
Depreciation	(425)	(386)
Amortisation	(507)	(506)
Finance expense	(47)	(47)
Interest income	34	57
Initial public offering related expense	(180)	(1,358)
Loss before income tax	(7,783)	(10,375)

(b) Geographical segments

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

	FY2016	FY2015
	S\$'000	S\$'000
Sales		
Singapore	-	-
Australia	5,797	7,445
	<u>5,797</u>	<u>7,445</u>
Non-current assets		
Singapore	142	208
Australia	9,215	4,257
	<u>9,357</u>	<u>4,465</u>

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8 for the analysis of revenue by operating segments.

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

- (1) the specialty pharmaceutical business with adjusted EBITDA of S\$6.17 million as compared to S\$5.26 million in FY2015. The Group undertook more R&D activities in drug development, including formulation and preparation works, equipment validation, batch and stability testing and product manufacturing and supply for clinical trials.
- (2) the chemical analysis business with adjusted EBITDA of S\$0.68 million, compared to S\$2.48 million in FY2015. The lower results in the segment was primarily due to lower revenue in the ES testing business.

18. A breakdown of sales as follows:

	Group		
	FY2106	FY2015	Incr / (Decr)
	S\$'000	S\$'000	%
Sales			
- First half year	3,026	3,127	(3%)
- Second half year	<u>2,771</u>	<u>4,318</u>	(36%)
Operating loss after tax			
- First half year	(4,791)	(4,200)	14%
- Second half year	<u>(2,912)</u>	<u>(6,361)</u>	(54%)

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

Not applicable. No dividends have been declared or recommended for the financial years ended 30 June 2016 and 30 June 2015.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Catalist Rules, there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to a director or chief executive officer or substantial shareholder of the Company as at 30 June 2016.

On behalf of the Board of Directors

Eddy Lee Yip Hang
Chairman & CEO

Albert Ho Shing Tung
Director

25 August 2016

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

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

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