iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FIRST HALF-YEAR ENDED 31 DECEMBER 2018

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 6 months ended		
	31.12.18 S$'000	31.12.17 S$'000 *(Restated)#*	Incr/(Decr) %	31.12.18 S$'000	31.12.17 S$'000 *(Restated)#*	Incr/(Decr) %
Revenue	1,540	1,753	(12%)	3,206	3,426	(6%)
Cost of sales	(1,309)	(1,173)	12%	(2,637)	(2,356)	12%
Gross profit	**231**	**580**	(60%)	**569**	**1,070**	(47%)
	15%	*33%*		*18%*	*31%*	
Other income	204	360	(43%)	422	838	(50%)
Expenses						
- Research and development	(977)	(1,267)	(23%)	(2,353)	(3,109)	(24%)
- Sales and marketing	(642)	(572)	12%	(1,096)	(989)	11%
- General and administrative	(1,758)	(1,609)	9%	(3,265)	(3,343)	(2%)
- Others †	(619)	(690)	(10%)	(1,049)	(811)	29%
- Finance expense	(66)	(66)	0%	(131)	(134)	(2%)
Total expenses	(4,062)	(4,204)	(3%)	(7,894)	(8,386)	(6%)
Loss before income tax	**(3,627)**	**(3,264)**	11%	**(6,903)**	**(6,478)**	7%
Income tax credit	25	28	-11%	60	55	9%
Loss for the financial period	**(3,602)**	**(3,236)**	11%	**(6,843)**	**(6,423)**	7%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Gain / (Loss) - net of tax	432	179	141%	747	129	479%
Total comprehensive loss	**(3,170)**	**(3,057)**	4%	**(6,096)**	**(6,294)**	(3%)

Note

 # Certain laboratory testing costs incurred by the Group for its research & development (R&D) works had been previously reported as part of Cost of Sales. In the current year presentation, these costs have been reclassed and reported as R&D Expenses instead of being part of Cost of Sales. This provides a more complete presentation of total R&D expenses incurred by the Group. Comparative figures in the statement of comprehensive income have been changed from previous year to conform to current year's presentation.

† comprises net currency exchange (losses) / gains principally due to unrealised translation differences arising from foreign currency deposits.

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

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

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

		Group			Group		
		3 months ended			6 months ended		
	Note	31.12.18 S$'000	31.12.17 S$'000	Incr/ (Decr) %	31.12.18 S$'000	31.12.17 S$'000	Incr/ (Decr) %
After crediting:							
Research and development tax incentive	(i)	129	308	(58%)	275	734	(63%)
Interest income		60	46	30%	111	94	18%
After charging:							
Share based payment expense	(ii)	284	45	531%	361	256	41%
Depreciation and amortisation expense		375	346	8%	745	682	9%
Currency exchange losses/ (gains) - net		619	690	(10%)	1,041	811	28%
Interest expense		66	66	0%	131	134	(2%)

(i) The research and development (R&D) tax incentive is a programme administered jointly by the Australian Taxation Office and Innovation Australia which provides a rate of 43.5% refundable tax offset for expenditure incurred for eligible R&D activities.

(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.

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

	Group		Company	
	31.12.18 S$'000	30.06.18 S$'000	31.12.18 S$'000	30.06.18 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	11,363	21,066	10,777	18,880
Trade and other receivables	2,364	2,033	7,638	5,220
Other current assets	338	486	178	305
Inventories	789	528	-	-
	14,854	24,113	18,593	24,405
Non-current assets				
Deposits – operating lease	81	-	81	-
Intangible assets	558	865	-	-
Property, plant and equipment	8,754	8,096	295	124
Investments in subsidiaries		-	5,404	5,404
	9,393	8,961	5,780	5,528
Total assets	24,247	33,074	24,373	29,933
LIABILITIES				
Current liabilities				
Trade and other payables	3,995	6,776	1,180	1,416
Borrowings	288	285	23	-
Provision	83	71	-	-
	4,366	7,132	1,203	1,416
Non-current liabilities				
Provision	52	61	-	-
Deferred government grant	0	17	-	-
Borrowings	4,026	4,254	92	-
Deferred income tax liabilities	17	90	-	-
	4,095	4,422	92	-
Total liabilities	8,461	11,554	1,295	1,416
NET ASSETS	15,786	21,520	23,078	28,517
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	71,525	71,129	71,525	71,129
Other reserves	1,350	637	161	196
Accumulated losses	(57,089)	(50,246)	(48,608)	(42,808)
Total equity	15,786	21,520	23,078	28,517

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

	31.12.18 S$'000	30.06.18 S$'000
Amount repayable in one year or less, or on demand		
- Secured	288	285
Amount repayable after one year		
- Secured	4,026	4,254
Total borrowings	4,314	4,539

Details of any collateral:

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

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

	Group 3 months ended		Group 6 months ended	
	31.12.18 S$'000	**31.12.17 S$'000**	**31.12.18 S$'000**	**31.12.17 S$'000**
Cash flows from operating activities				
Total loss after tax	(3,602)	(3,236)	(6,843)	(6,423)
Adjustments for:				
- Deferred government grant income	(4)	(4)	(8)	(9)
- Depreciation and amortisation expense	375	346	745	682
- Income tax credit	(25)	(28)	(60)	(55)
- Interest income	(60)	(46)	(111)	(94)
- Interest expense	66	66	131	134
- Provision	4	(6)	1	(7)
- Research and development tax incentive	(129)	(308)	(275)	(734)
- Share based payment expense	284	45	361	256
- Unrealised currency exchange losses/(gains) – net	496	653	808	814
	(2,595)	(2,518)	(5,251)	(5,436)
Changes in working capital:				
- Trade and other receivables	5	(164)	(241)	239
- Other current assets	15	255	152	137
- Trade and other payables	(118)	3	(2,571)	(122)
- Inventories	(196)	(247)	(282)	(529)
Cash used in operations	(2,889)	(2,671)	(8,193)	(5,711)
Interest received	2	35	121	67
Research and development tax incentive received	-	-	-	-
Net cash used in operating activities	(2,887)	(2,636)	(8,072)	(5,644)
Cash flows from investing activities				
Additions to property, plant and equipment (note B)	(810)	(595)	(1,336)	(771)
Additions to intangible assets	-	(1)	-	(6)
Net cash used in investing activities	(810)	(596)	(1,336)	(777)
Cash flows from financing activities				
Decrease in fixed deposits pledged	400	-	400	-
Repayment of borrowings	(77)	(75)	(150)	(156)
Proceeds from borrowings	-	308	-	308
Interest paid	(66)	(66)	(131)	(134)
Net cash from financing activities	257	167	119	18
Net (decrease)/increase in cash and cash equivalents	(3,440)	(3,065)	(9,289)	(6,403)
Cash and cash equivalents				
Beginning of financial period	14,844	27,096	20,666	30,688
Effects of currency translation on cash and cash equivalents	(41)	(360)	(14)	(614)
End of financial period (note A)	11,363	23,671	11,363	23,671

Note:

A. Cash and cash equivalents comprise the following:

	Group **31.12.18 S$'000**	Group **31.12.17 S$'000**
Cash and cash equivalents in Balance Sheet	11,363	24,071
Less: Bank deposits pledged	-	(400)
Cash and cash equivalents per consolidated statement of cash flows	11,363	23,671

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

B. The Group purchased property, plant and equipment with an aggregate cost of $0.65 million during 1Q19. Of the total purchase, $0.12 million was acquired under finance lease arrangement.

C. Reconciliation of liabilities arising from financing activities

	1 July 2018 $'000	Principal and interest payments $'000	Non-cash change $'000			31 Dec 2018 $'000
			Acquisition	Interest expense	Foreign exchange movement	
Borrowings	4,539	(281)	124	131	(199)	4,314

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

	Attributable to equity holders of the Company				
Group	**Share capital**	**Share based payment reserve**	**Currency translation reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2018	71,129	196	441	(50,246)	21,520
Loss for the period	-	-	-	(3,241)	(3,241)
Other comprehensive loss for the period	-	-	316	-	316
Total comprehensive loss for the period	-	-	316	(3,241)	(2,925)
Share based payment scheme					
- Value of employees' services	-	77	-	-	77
Total transactions with owners, recognised directly in equity	-	77	-	-	77
At 30 September 2018	**71,129**	**273**	**757**	**(53,487)**	**18,672**
Loss for the period	-	-	-	(3,602)	(3,602)
Other comprehensive gain for the period	-	-	432	-	432
Total comprehensive loss for the period	-	-	432	(3,602)	(3,169)
Share based payment scheme					
- Value of employees' services	-	284	-	-	284
- Shares issued pursuant to iX Performance Share Plan	396	(396)	-	-	-
Total transactions with owners, recognised directly in equity	396	(112)	-	-	284
At 31 December 2018	**71,525**	**161**	**1,189**	**(57,089)**	**15,786**
At 1 July 2017	70,131	787	(141)	(35,152)	35,625
Loss for the period	-	-	-	(3,187)	(3,187)
Other comprehensive loss for the period	-	-	(50)	-	(50)
Total comprehensive loss for the period	-	-	(50)	(3,187)	(3,237)
Share based payment scheme					
- Value of employees' services	-	211	-	-	211
Total transactions with owners, recognised directly in equity	-	211	-	-	211
At 30 September 2017	**70,131**	**998**	**(191)**	**(38,339)**	**32,599**

Group	Attributable to equity holders of the Company				
	Share capital	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000
Loss for the period	-	-	-	(3,236)	(3,236)
Other comprehensive loss for the period	-	-	179	-	179
Total comprehensive loss for the period	-	-	179	(3,236)	(3,057)
Share based payment scheme					
- Value of employees' services	-	45	-	-	45
- Shares issued pursuant to iX Performance Share Plan	998	(998)	-	-	-
Total transactions with owners, recognised directly in equity	998	(953)	-	-	45
At 31 December 2017	**71,129**	**45**	**(12)**	**(41,575)**	**29,587**

Company	Attributable to equity holders of the 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 2018	71,129	-	196	(42,808)	28,517
Loss for the period	-	-	-	(4,167)	(4,167)
Total comprehensive loss for the period	-	-	-	(4,167)	(4,167)
Share based payment scheme					
- Value of employees' services	-	-	77	-	77
Total transactions with owners, recognised directly in equity	-	-	77	-	77
At 30 September 2018	**71,129**	-	**273**	**(46,975)**	**24,427**
Loss for the period	-	-	-	(1,633)	(1,633)
Total comprehensive loss for the period	-	-	-	(1,633)	(1,633)
Share based payment scheme					
- Value of employees' services			284	-	284
- Shares issued pursuant to iX Performance Share Plan	396	-	(396)	-	-
Total transactions with owners, recognised directly in equity	396	-	(112)	-	284
At 31 December 2018	**71,525**	-	**161**	**(48,608)**	**23,078**
At 1 July 2017	70,131	-	787	(34,881)	36,037
Loss for the period	-	-	-	(2,118)	(2,118)
Total comprehensive loss for the period	-	-	-	(2,118)	(2,118)
Share based payment scheme					
- Value of employees' services	-	-	211	-	211
Total transactions with owners, recognised directly in equity	-	-	211	-	211
At 30 September 2017	**70,131**	-	**998**	**(36,999)**	**34,130**
Loss for the period	-	-	-	(1,935)	(1,935)
Total comprehensive loss for the period	-	-	-	(1,935)	(1,935)
Share based payment scheme					
- Value of employees' services	-	-	45	-	45
- Shares issued pursuant to iX Performance Share Plan	998	-	(998)	-	-
Total transactions with owners, recognised directly in equity	998	-	(953)	-	45
At 31 December 2017	**71,129**	-	**45**	**(38,934)**	**32,240**

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

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

Company	No. of ordinary shares	Amount
		S$'000
At 1 July 2018 and 30 September 2018	642,695,724	71,129
Shares issued pursuant to iX Performance Share Plan	1,898,333	396
At 31 December 2018	**644,594,057**	**71,525**

In November 2018, the Company issued 1,898,333 ordinary shares pursuant to iX Performance Share Plan. No share was issued to a Director or controlling shareholder (and each of their associates).

On 16 November 2018, the Company announced total awards of 4,633,333 shares to certain employees and executives under iX Performance Share Plan. No award was granted to a Director or controlling shareholder (and each of their associates). The Company has not granted any options under iX Employee Share Option Scheme since its inception.

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

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
As at 31 December 2018		
iX Performance Share Plan	4,100,000	4,100,000
As at 31 December 2017		
iX Performance Share Plan	1,398,000	1,398,000

There were no treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 2017.

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

As at 31 December 2018, the number of issued shares excluding treasury shares was 644,594,057 (30 June 2018: 642,695,724).

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

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

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

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

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

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

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications 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 2018.

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.

On 1 July 2018, the Group adopted the standards, amendments and interpretations to existing standards that are mandatory for application from that date. The following are the new or amended FRS that are relevant to the Group:

- FRS 109 Financial instruments
- FRS 115 Revenue from contracts with customers

As required by the listing requirements of the Singapore Exchange, the Group has also adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to SFRS(I) ("SFRS(I) INT") that are mandatory for the accounting periods beginning on or after 1 July 2018. The adoption of these new and revised SFRS(I) and SFRS(I) INT 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.
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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 3 months ended		Group 6 months ended	
	31.12.18	31.12.17	31.12.18	31.12.17
Net loss attributable to equity holders of the Company (S$'000)	(3,692)	(3,236)	(6,933)	(6,423)
Weighted average number of shares outstanding ('000)	643,432	641,317	643,056	640,421
Basic loss per share (Cents per share)	(0.6)	(0.5)	(1.1)	(1.0)

The Company has 4,100,000 share awards under iX Performance Share Plan (31 December 2017: 1,398,000 shares awards). As they were anti-dilutive and had the effect of decreasing the loss per share, they were not included in the calculation of diluted loss per share above. Accordingly, the basic loss per share and diluted loss per share were the same for the financial periods presented.

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

	Group		Company	
	31.12.18	30.06.18	31.12.18	30.06.18
Net asset value per ordinary share (in cents)	2.4	3.3	3.6	4.4

The net asset value per ordinary share of the Group and the Company as at 31 December 2018 were calculated based on the total number of issued shares of 644,594,057 (30 June 2018: 642,695,724).

There were no treasury shares as at 31 December 2018 and 30 June 2018.

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

Overview

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

The Group's nutraceuticals division, Entity Health, is engaged in the development and commercialisation of nutraceutical products that address specific health conditions to improve quality of lifestyles throughout all phases of life. Unlike many of the health supplement products on the market which focus on replenishing deficiencies in nutrition and diet, Entity nutraceuticals are the next generation of health supplements which are uniquely positioned between nutrition and therapy. Entity products are developed by its team of PhD scientists based on compelling

scientific and clinical research, formulated with premium grade extracts, and designed to address specific health conditions associated with ageing and lifestyle pursuits. The powerful combination of science and nature in Entity products supports DNA and cellular repair, promotes skin fairness and skin protection, and improves joint and brain health, among others.

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

During the quarter, the Group had been active in developing its pharmaceutical product pipeline and research and development (R&D) activities.

Wafermine

KET010, our phase 2 multi-dose efficacy study, was a randomized, double-blind, placebo-controlled study to demonstrate the efficacy of Wafermine in patients experiencing acute pain following bunionectomy or abdominoplasty surgery. The study was conducted under an Investigational New Drug (IND) application with the US FDA (Food & Drug Administration).

The study completed recruitment in July 2018 and the Company reported positive top-line efficacy and safety results in September 2018. Following on from the success of the study, preparations are now underway to schedule an End-of-Phase-2 (EOP2) meeting with the US FDA where the Phase 3 program will be determined. Whilst we had previously anticipated a possible EOP2 meeting in 3Q19, due to a delay resulting from the USA Government shut down, we are now working towards a scheduled meeting in 4Q19 subject to no further disruption.

Background: As previously advised, to obtain marketing approval for the indication of acute moderate to severe pain with the US FDA, the Company is required to demonstrate the efficacy of Wafermine in two separate Phase 3 studies, one in a bony surgical pain model (e.g. bunionectomy) and the other in a soft tissue surgery model (e.g. abdominoplasty).

Wafesil and Silcap

As previously announced, the Group obtained marketing approval from the TGA in Australia for Wafesil and Silcap in June and August 2018, respectively. Both products are approved for the treatment of male erectile dysfunction in Australia.

The Group is preparing for the market launch of these products anticipated in 4Q19, with revenues expected in the subsequent financial year. It will be supplied to the market via wholesaler and pharmacy channels. In the European market, we have identified the appropriate approach to registration and plan to file in 4Q19. Similarly, we are in advanced preparation and anticipate to file for marketing approval with Singapore Health Science Authority in 4Q19 for Silcap.

Both Wafesil and Silcap are available in dosage strengths of 25 mg and 50 mg in pack sizes of 4, 8 and 12 wafers and capsules, respectively.

BnoX

The Group successfully completed a Phase 1 PK study, BUP001, in 3Q17. The results of BUP001 were published in the prestigious American medical journal, Pain Medicine, in January 2018.

BnoX is currently being supplied to various hospitals for the treatment of moderate to severe pain in Australia under exemption Schedule 5A of the Therapeutic Goods Regulations.

Nutraceuticals – Entity Health

During the quarter, the Group continued to utilise the soft launch phase to gather data and feedback regarding the acceptance of Entity products in the market place, optimise production capacity and improve logistical capabilities to meet demand. The number of stockists including pharmacies and health food stores has doubled to 50 from 25 in the last quarter. These pharmacies include some of the larger premium pharmacy chains in Australia such as Priceline Pharmacy and TerryWhite Chemmart in high traffic, cosmopolitan locations. The current number of stockists provides us with a good base to attract and garner greater interest among the larger banner groups and independent

pharmacy groups operating nationally. In the next quarter, the Group will target some of the larger independent pharmacy groups; typically comprising 30 to 90 stores each.

To continue to grow the number of stockists in Australia, the Group increased its sales headcount in Victoria and New South Wales. In addition, the Group plans to engage a professional sales broking organisation to provide comprehensive sales support functions at the store level. Given the geographical locations and the number of stockists, the Group believes that this is the most cost-efficient sales support structure to ensure that the stores are properly managed, stocked and serviced.

Pharmacies that market our products in Australia have expressed strong interest for LumeniX, Entity's innovative skin-brightening and antioxidant formula delivered using the WaferiX sublingual technology. LumeniX holds great appeal to those customers searching for beauty supplements, and in particular supplements that can help them to achieve skin fairness faster.

During the quarter, the Group released a new product, MelaniX, which contains a high dose of nicotinamide to support DNA repair and replenish cellular energy in skin cells after UV exposure. This product targets the Australian population as they tend to be more concerned with protection against serious skin conditions due to prolonged and damaging UV exposure.

The Group is planning a nationwide marketing launch in Australia for Entity products in 4Q19. This encompasses a nationwide marketing launch featuring the Entity brand and selected products to promote consumer awareness.

Review of performance for quarter (2Q19) and six months (6M19) ended 31 December 2018

Revenue	2Q19	2Q18	Incr/ (Decr)	6M19	6M18	Incr/ (Decr)
	S$'000	S$'000	%	S$'000	S$'000	%
Chemical Analysis	1,433	1,683	(15%)	2,998	3,344	(10%)
Specialty Pharmaceutical	31	24	29%	50	36	39%
Nutraceuticals	76	46	65%	158	46	243%
Total revenue	**1,540**	**1,753**	**(12%)**	**3,206**	**3,426**	**(9%)**

Total revenue for the quarter was S$1.54 million compared to corresponding quarter of S$1.75 million; S$3.21 million and S$3.43 million for the first half of FY2019 and corresponding period (6M18) respectively.

Chemical Analysis (CA) segment recorded a lower revenue of S$1.43 million (A$1.45 million) in 2Q19 versus S$1.68 million (A$1.62 million) in 2Q18, a decrease of 15% or S$0.25 million. In 6M19, CA revenue fell 10% to S$3.00 million (A$3.01 million) from S$3.34 million (A$3.17 million) in 6M18. This decrease in revenue took into account a negative exchange rate impact of 5% due to a weaker Australian dollar.

The main reason for a lower revenue was due to the preparation for the nationwide launch of the Entity product range in 4Q19. This required the Group to accelerate its product development, especially laboratory testing for the purpose of registering with the TGA and product release to the market. Accordingly, the Group prioritised and allocated substantial resources from CA to provide the necessary TGA and GMP compliant laboratory testing services.

As a result, substantial intellectual properties (IP) were developed. These IP include new method developments and validations of numerous nutraceutical raw materials and finished products.

The Group's nutraceuticals division, Entity Health derived a revenue of S$0.08 million during the quarter versus S$0.05 million in 2Q18., increased by 65% or S$0.03 million. In 6M19, revenue from the nutraceuticals segment grew by 243% to S$0.16 million (S$0.05 million in 6M18).

The Group's cost of sales, comprising mainly personnel and consumable expenses relating to provision of chemical analysis services and manufacturing, was S$1.31 million in 2Q19 as compared

to S$1.17 million in 2Q18. In 6M19, cost of sales was S$2.64 million as compared to S$2.36 million in 6M18. The higher cost of sales was mainly due to increase in personnel cost as the Group geared up its manufacturing resources in preparation for the supply of its nutraceutical products for national launch in April 2019.

The Group recorded a gross profit of S$0.23 million or 15% of revenue in 2Q19 versus S$0.58 million or 33% of revenue in 2Q18. For the six-month period, the Group recorded a gross profit of S$0.57 million or 18% of revenue in 6M19 versus S$1.07 million or 31% of revenue in 6M18.

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

The Group conducts its R&D activities through its wholly-owned subsidiaries in Australia and has been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia. This incentive provides a rate of 43.5% refundable tax offset for eligible R&D expenditure incurred in Australia by these subsidiaries. The Group recognised a lower R&D incentive of S$0.13 million in 2Q19 compared to S$0.31 million in 2Q18 due to lesser R&D activities.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

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

R&D expense was S$0.98 million in 2Q19 as compared to S$1.27 million in 2Q18. For the six-month period, R&D expense was S$2.35 million in 6M19 as compared to S$3.11 million in 6M18. The decrease was mainly due to timing and progress of clinical trial studies and product developments, principally KET010 undertaken during the respective periods.

Sales and marketing

Sales and marketing expense rose by 12% to S$0.64 million in 2Q19 (S$0.57 million in 2Q18) and 11% to S$1.10 million in 6M19 (S$0.99 million in 6M18), mainly attributed to increases in personnel, development of marketing campaign and market research expenses.

General and administrative (G&A)

The Group incurred higher G&A expenses of S$1.76 million in 2Q19 compared to S$1.61 million in 2Q18, up by 9%. This was due to higher share-based payment expenses and offset by lower other professional fees.

For 6M19, G&A expense declined by S$0.07 million or 2% to S$3.27 million as compared to S$3.34 million in 6M18, which was lower mainly due to a lower spending of S$0.15 million in professional fees.

Others

Others consist solely of currency exchange gain/loss.

Currency exchange loss was S$0.62 million in 2Q19 as compared to a net loss of S$0.69 million in 2Q18. For 6M19, currency exchange loss was S$1.05 million as compared to a net loss of S$0.81 million in 6M18. This arose mainly from the impact of the depreciation of the Australian dollar against the Singapore dollar during the quarter on the receivables from its subsidiaries.

Review of financial position

Except for items reviewed below, balance sheet as at 31 December 2018 remained comparable to that as at 30 June 2018 (FY2018).

As at 31 December 2018, the Group's cash and cash equivalents was S$11.4 million. The decrease of S$9.7 million was mainly due to cash outflows in operating activities of S$8.01 million which included R&D expenses of S$2.35 million.

Trade and other receivables were S$2.36 million, an increase of S$0.33 million, mainly due to higher R&D incentive accrued of S$0.22 million and higher trade receivable on Chemical Analysis segment of S$ 0.11 million.

Trade and other payables decreased from S$6.78 million to S$4.00 million substantially due to payment of billings for cost of clinical trial undertaken during 4Q18.

Inventories of S$0.79 million comprised raw materials of S$0.61 million and finished goods of S$0.18 million, principally related to commercialisation of our new nutraceutical and pharmaceutical products.

Property, plant and equipment was S$8.75 million as compared to S$8.10 million in FY2018. The increase was attributed to S$1.39 million of equipment purchases mainly for manufacturing and offset by depreciation of S$0.46 million. Whereas, intangible assets were reduced by amortisation of S$0.28 million.

Cash flow analysis

During 2Q19, the Group recorded a net cash used in operating activities of S$2.89 million as compared to S$2.64 million in 2Q18, which was mainly due to the timing and progress of clinical trials.

In the same quarter, the Group invested S$0.8 million principally in new freeze drying manufacturing equipment.

Net cash from financing activities which amounted to S$0.26 million in 2Q19 was due to release of $0.4 million fixed deposit pledged with bank offset by the repayment of interest and borrowings of $0.140 million.

During 6M19, the Group recorded a net cash used in operating activities of S$8.20 million as compared to S$5.71 million in 6M18, which was mainly due to the timing and progress of clinical trials and sales & marketing activities for launching of nutraceutical products

In the six-month period, the Group invested S$1.33 million principally in new freeze drying manufacturing equipment.

Net cash from financing activities which amounted to S$0.12 million in 6M19 was due to release of $0.4 million fixed deposit pledged with bank offset by the repayment of interest and borrowings of $0.28 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.

Following the positive outcome of the KET010 study of Wafermine, the Group is preparing for an End of Phase 2 (EOP2) meeting with the US FDA to determine the pathway for Phase 3 studies. In addition, the Group's strategy is to partner a suitable pharmaceutical company via out-licensing to jointly develop the Wafermine programme. Out-licensing following a successful Phase 2 study is a typical approach for a speciality pharmaceutical company like ours.

Following the approval of both Wafesil and Silcap by the TGA for male erectile dysfunction in Australia, the Group is preparing for market launch via both wholesaler and pharmacy channels in the 4Q19. Revenues are expected in the subsequent financial year. In the European market, we have identified the appropriate approach to registration and plan to file in 4Q19. Similarly, we are in advanced preparation and anticipate to file for marketing approval with Singapore Health Science Authority in 4Q19 of Silcap.

The Group has identified Australia as the territory to launch and establish the Entity brand. During the soft launch phase following the commencement of sale, the Group received enthusiastic feedback from healthcare professionals and consumers who recognise Entity's innovative approach to preventative healthcare. Entity has strategically and tactically selected pharmacies in major Australian cities of Melbourne, Sydney and Perth to carry its range of products. These pharmacies include some of the larger premium pharmacy chains in Australia such as Priceline Pharmacy and TerryWhite Chemmart in high traffic, cosmopolitan locations. The Group will continue to build up its production planning capabilities in preparation for the official launch of Entity, paving the way for a wider nationwide release to the Australian public in FY2019. This development supports Entity's push to establish itself as a home-grown Australian brand and is important in raising its profile and credibility with consumers from other parts of the world who associate high quality health supplements with Australian brands.

Over the next 12 months, the Group plans to undertake sales and marketing initiatives in Australia to promote the Entity products. The Group intends to increase the number of retailers across Australia in preparation for an official launch of Entity in 4Q19. The launch encompasses a nationwide sales launch, a marketing campaign featuring the Entity brand and selected products, and a public relations press and media launch campaign.

As the Group continues to grow the number of stockists in Australia, the Group plans to engage a professional sales broking organisation to provide comprehensive sales support functions at the store level. Given the geographical locations and the number of stockists, the Group believes that this is the most cost-efficient sales support structure to ensure that the stores are properly managed, stocked and serviced.

The Group previously announced that it had entered into an agreement with ASX-listed Bod Australia Limited (Bod Australia), under which the Group licensed its WaferiX technology for the development of a medicinal cannabis product incorporating cannabis extracts provided by Bod Australia. The product development was successfully completed and allowed Bod Australia to commence their Phase I clinical study in July 2018. The study is ongoing and expected to complete in second half of the current financial year.

The Group expects that its chemical analysis and testing business in Australia will face increasing competition in the next 12 months. Recent consolidations of laboratory testing businesses in Australia have already been observed in the mining, diary and environment sectors and is expected to also affect the biopharmaceutical segment, in which CA is engaged. The intensifying competition will add uncertainty to the industry and resultant pressure on the Group's revenue. In order to maintain CA's competitive position and continue to achieve growth, the Group will require additional capital investment and human resources. The Group is assessing its corporate strategy for CA in the light of the anticipated trend.

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 31 December 2018, the IPO Proceeds has been utilised as follows:

	Amount after re-allocation	Amount utilised	Balance
	S$'000	**S$'000**	**S$'000**
To fund the clinical trials for the development of our products, and for preparing and submitting an Abbreviated New Drug Application or New Drug Application as the case may be, to the US Food and Drug Administration for marketing approval and commercialisation of our products in the United States, and where it is commercially viable to do so, in other parts of the world upon receipt of the relevant regulatory approvals	15,286	(15,197)	89
To fund the development, manufacturing and marketing activities required for our pharmaceutical and nutraceutical products in the pipeline, including Wafermine, Wafesil (formerly PheoniX), Silcap (formerly XCalibur) and the Entity line of nutraceutical products	9,414	(393)	9,021
General working capital purposes	2,913	(2,913)	-
Listing expenses	2,517	(2,517)	-
Total	**30,130**	**(21,020)**	**9,110**

Details of working capital used:

	S$'000
Professional fees	617
Payroll and directors' fees	1,596
Trademark and patents	67
Rental, office expenditure and other operating expenses	632
Total	**2,913**

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 and as subsequently re-allocated by the Company in its announcement on 25 June 2018.

(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 31 December 2018, the Placement Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S$'000	**S$'000**	**S$'000**
Registration of the Company's products with appropriate agencies for approval to sell the products, and for marketing of the Company's products	3,849	(3,775)	74
Acquisition of new product packaging equipment	1,000	(1,000)	-
Total	**4,849**	**(4,775)**	**74**

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

(c) Rights Issue

Pursuant to the rights issue of 24,584,284 shares on 22 July 2016, the Company received net proceeds of S$5.03 million (Rights Proceeds). As at 31 December 2018, the Rights Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S$'000	**S$'000**	**S$'000**
Development of the Company's pipeline products (including undertaking clinical trials and registration of such products with appropriate agencies for marketing approval) and for marketing of the Company's products	4,028	(3,458)	570
Acquisition of new product packaging equipment	1,000	(1000)	0
Total	**5,028**	**(4,458)**	**570**

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

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

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the period ended 31 December 2018 to be false or misleading in any material aspect.

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

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

On behalf of the Board of Directors

Eddy Lee Yip Hang
Chairman & CEO

Albert Ho Shing Tung
Non-executive Director

11 February 2019

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.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, telephone: (65) 6337-5115.