

Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results

Issuer & Securities

Issuer/ Manager	HYPHENS PHARMA INTERNATIONAL LIMITED
Securities	HYPHENS PHARMA INTL LIMITED - SG1EE4000006 - 1J5
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
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Designation	Chairman and Chief Executive Officer
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	<p>Please refer to the attached.</p> <p>This announcement has been prepared by the Company and its contents have been reviewed by DBS Bank Ltd. (the "Sponsor") for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. 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.</p> <p>The contact persons of the Sponsor are Heng Mui Mui, Managing Director and Kelvin Wong, Vice President at 12 Marina Boulevard Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone +65 6878 8888.</p>

Additional Details

For Financial Period Ended	30/06/2018
Attachments	<p>Hyphens_results_2Q2018.pdf</p> <p>Total size =437K</p>



HYPHENS PHARMA INTERNATIONAL LIMITED

(Company Registration No. 201735688C)
(Incorporated in the Republic of Singapore)

Unaudited Financial Statements For the Second Quarter and Half Year Ended 30 June 2018

Hyphens Pharma International Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 18 May 2018. The initial public offering of the Company (the "IPO") was sponsored by DBS Bank Ltd. (the "Sponsor" or "DBS Bank").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any statements or opinions made or reports contained in this announcement.

The contact persons for the Sponsor are Miss Heng Mui Mui, Managing Director, and Mr Kelvin Wong, Vice President, who can be contacted at 12 Marina Boulevard Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone +65 6878 8888.

Background

The Group comprising the Company and its subsidiaries (the "Group") was formed pursuant to a restructuring exercise (the "Restructuring Exercise") undertaken as part of a corporate reorganisation implemented for the purposes of the Company's listing on Catalist on 18 May 2018. Please refer to the Company's offer document dated 11 May 2018 ("Offer Document") for further details on the Restructuring Exercise.

The Group is one of Singapore's leading specialty pharmaceutical and consumer healthcare groups leveraging on its diverse footprint in ASEAN countries. The Group has a direct presence in five ASEAN countries, namely, Singapore, Vietnam, Malaysia, Indonesia and the Philippines, supplemented by a marketing and distribution network covering five additional jurisdictions, namely, Hong Kong, Myanmar, Brunei, Cambodia and Oman. Singapore is the Group's regional headquarters, where its strategic planning, finance, regulatory affairs, research and development, legal, business development and logistics operations are based.

The Group's core business comprises the following segments: specialty pharma principals, proprietary brands, and medical hypermart and digital. Besides marketing and selling a range of specialty pharmaceutical products in selected ASEAN countries through exclusive distributorship or licensing and supply agreements with brand principals mainly from Europe and the United States, the Group also develops, markets and sells its own proprietary range of dermatological products and health supplement products. The Group's key proprietary products comprise dermocosmetic products marketed under its Ceradan® and TDF® brands. It also has a wide range of health supplement products marketed under its Ocean Health® brand. In addition, the Group operates a medical hypermart for healthcare professionals, healthcare institutions and retail pharmacies, to supply pharmaceutical products and medical supplies.

For the purpose of this announcement, the results of the Group for the second quarter ended 30 June 2018 ("2Q2018") with the comparative results of the Group for the second quarter ended 30 June 2017 ("2Q2017") and the six-month period ended 30 June 2018 ("1H2018") with the comparative results of the Group for the six-month period ended 30 June 2017 ("1H2017") have been prepared on the assumption that the group structure following the completion of the Restructuring Exercise has been in place since 1 January 2017.

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	2Q2018	2Q2017	Change	1H2018	1H2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	30,886	30,734	0.5%	61,515	57,478	7.0%
Cost of sales	(19,779)	(20,742)	-4.6%	(40,805)	(38,440)	6.2%
Gross profit	11,107	9,992	11.2%	20,710	19,038	8.8%
Interest income	4	1	300.0%	5	2	150.0%
Other gains	41	104	-60.6%	173	227	-23.8%
Marketing and distribution costs	(5,586)	(5,471)	2.1%	(10,731)	(10,292)	4.3%
Administrative expenses *	(3,287)	(1,839)	78.7%	(5,385)	(3,663)	47.0%
Finance costs	(40)	(63)	-36.5%	(74)	(128)	-42.2%
Other losses	(88)	(88)	0.0%	(314)	(598)	-47.5%
Profit before tax *	2,151	2,636	-18.4%	4,384	4,586	-4.4%
Income tax expense	(539)	(469)	14.9%	(977)	(801)	22.0%
Profit, net of tax *	1,612	2,167	-25.6%	3,407	3,785	-10.0%
<u>Other comprehensive (loss) income:</u>						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	(40)	(32)	25.0%	103	88	17.0%
Other comprehensive (loss) income for the year, net of tax:	(40)	(32)	25.0%	103	88	17.0%
Total comprehensive income	1,572	2,135	-26.4%	3,510	3,873	-9.4%

Note:

* Administrative expenses in 2Q2018 and 1H2018 included one-off IPO expenses of S\$920k. Excluding the IPO expenses:-

- (i) profit before tax would have been S\$3,071k in 2Q2018, a 16.5% increase from 2Q2017, and S\$5,304k in 1H2018, a 15.7% increase from 1H2017; and
- (ii) profit after tax would have been S\$2,532k in 2Q2018, a 16.8% increase from 1Q2017, and S\$4,327k in 1H2018, a 14.3% increase from 1H2017.

1(a)(ii) Breakdown and explanatory notes to the consolidated statement of comprehensive income

Profit before tax is arrived at after charging / (crediting) the following:

	2Q2018	2Q2017	Change	1H2018	1H2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Government grants	(42)	(37)	13.5%	(173)	(160)	8.1%
Depreciation and amortisation	181	188	-3.7%	361	364	-0.8%
Allowance/ (reversal of allowance) for impairment of trade receivables	4	(67)	N.M.	3	(67)	N.M.
Provision for inventories obsolescence	90	125	-28.0%	123	148	-16.9%
Inventories written off	10	49	-79.6%	36	80	-55.0%
Foreign exchange (gains)/ losses	(17)	(87)	-80.5%	151	369	-59.1%
Loss on disposal of plant and equipment	-	-	-	-	1	-100.0%
IPO expenses	920	-	N.M.	920	-	N.M.
R&D expenses	208	66	215.2%	279	72	287.5%

Note: N.M. - Not meaningful

(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 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	1,313	630	-	-
Intangible assets	8,932	9,105	-	-
Deferred tax assets	262	315	-	-
Investment in subsidiaries	-	-	19,220	-
Total non-current assets	10,507	10,050	19,220	-
<u>Current assets</u>				
Inventories	14,902	13,178	-	-
Trade and other receivables	28,670	23,775	3,110	-
Prepayments	214	245	8	-
Cash and cash equivalents	26,010	12,293	11,406	5
Total current assets	69,796	49,491	14,524	5
Total assets	80,303	59,541	33,744	5
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	32,555	1,521	32,555	5
Merger reserve ⁽ⁱ⁾	(15,165)	-	-	-
Retained earnings	19,584	17,191	245	-
Foreign currency translation reserve	221	118	-	-
Total equity	37,195	18,830	32,800	5
<u>Non-current liabilities</u>				
Deferred tax liabilities	523	560	-	-
Other financial liabilities, non-current	809	1,588	-	-
Total non-current liabilities	1,332	2,148	-	-
<u>Current liabilities</u>				
Income tax payable	1,399	1,092	-	-
Trade and other payables	35,388	35,101	944	-
Other financial liabilities, current	4,989	2,370	-	-
Total current liabilities	41,776	38,563	944	-
Total liabilities	43,108	40,711	944	-
Total equity and liabilities	80,303	59,541	33,744	5

Note:

- (i) The negative merger reserve relates to the difference between the consideration paid by the Company and the equity of Hyphens Pharma Pte. Ltd. acquired in relation to the restructuring exercise undertaken in relation to the listing of the Company on the Catalist Board of the SGX-ST (“Restructuring Exercise”). The acquisition of Hyphens Pharma Pte. Ltd. by the Company was completed on 19 April 2018.

1(b)(ii) Aggregate amount of Group’s borrowings and debt securities

	30 Jun 2018		31 Dec 2017	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	1,561	3,428	1,549	821
Amount repayable after one year	809	-	1,588	-
	2,370	3,428	3,137	821

Details of any collaterals:

- (i) Term loan is secured by a charge over the shares of Ocean Health Pte. Ltd.
- (ii) Hire purchase facilities are secured by motor vehicles of Hyphens Pharma Philippines Inc.
- (iii) All banking facilities, except hire purchase facilities, are covered by corporate guarantees provided by Hyphens Pharma Pte. Ltd. or Pan-Malayan Pharmaceuticals Pte Ltd and joint and several personal guarantees provided by our Directors, Mr. Lim See Wah, Mr. Tan Chwee Choon and Dr. Tan Kia King.

Note: As at the date of this announcement, the Group is in the midst of converting the personal guarantees provided by our Directors to corporate guarantees from the Company.

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**

	2Q2018	2Q2017	1H2018	1H2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Cash flows from operating activities</u>				
Profit before tax	2,151	2,636	4,384	4,586
Adjustments for:				
Amortisation of intangible assets	97	103	193	191
Depreciation of plant and equipment	84	85	168	173
Interest income	(4)	(1)	(5)	(2)
Interest expense	40	63	74	128
Loss on disposal of plant and equipment	-	1	-	2
Expenses in connection with IPO	920	-	920	-
Net effect of exchange rate changes in consolidating foreign operations	(41)	(33)	105	94
Operating cash flows before changes in working capital	3,247	2,854	5,839	5,172
Trade and other receivables	834	(5,876)	(4,895)	(6,648)
Prepayments	(22)	39	31	25
Inventories	(123)	901	(1,724)	1,372
Trade and other payables	(253)	3,483	3,288	1,806
Net cash flows from operations	3,683	1,401	2,539	1,727
Income taxes paid	(366)	(288)	(655)	(368)
Net cash flows from operating activities	3,317	1,113	1,884	1,359
<u>Cash flows from investing activities</u>				
Purchase of plant and equipment	(795)	(28)	(853)	(66)
Purchase of intangible assets	(5)	(18)	(20)	(20)
Interest received	4	1	5	2
Net cash flows used in investing activities	(796)	(45)	(868)	(84)
<u>Cash flows from financing activities</u>				
Gross proceeds from issuance of new shares pursuant to incorporation and IPO	15,605	-	15,605	-
IPO expenses paid	(1,670)	-	(1,670)	-
Dividends paid to equity owners	(3,000)	-	(3,000)	-
Interest paid	(40)	(63)	(74)	(128)
Repayment of borrowings	(1,501)	(158)	(2,705)	(1,128)
Proceeds from borrowings	4,545	-	4,545	-
Net cash flows from/ (used in) financing activities	13,939	(221)	12,701	(1,256)
Net increase in cash and cash equivalents	16,460	847	13,717	19
Cash and cash equivalents at beginning of period	9,550	11,795	12,293	12,623
Cash and cash equivalents at ending of period	26,010	12,642	26,010	12,642

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Total equity S\$'000	Share capital S\$'000	Merger reserve	Retained earnings S\$'000	Foreign currency translation reserve S\$'000
Balance as at 1 January 2018 ⁽ⁱ⁾	18,830	1,521	-	17,191	118
Total comprehensive income for the period	3,510	-	-	3,407	103
Issuance of shares pursuant to the acquisition of subsidiaries as part of the restructuring exercise	17,700	17,700	-	-	-
Share swap pursuant to the restructuring exercise	(17,700)	(1,521)	(15,165)	(1,014)	-
Issuance of new shares pursuant to incorporation and IPO	15,605	15,605	-	-	-
Capitalisation of IPO expenses pursuant to issuance of new shares	(750)	(750)	-	-	-
Balance as at 30 June 2018	<u>37,195</u>	<u>32,555</u>	<u>(15,165)</u>	<u>19,584</u>	<u>221</u>

Group	Total equity S\$'000	Share capital S\$'000	Merger reserve	Retained earnings S\$'000	Foreign currency translation reserve S\$'000
Balance as at 1 January 2017 ⁽ⁱ⁾	19,613	1,521	-	18,103	(11)
Total comprehensive income for the period	3,873	-	-	3,785	88
Balance as at 30 June 2017 ⁽ⁱ⁾	<u>23,486</u>	<u>1,521</u>	<u>-</u>	<u>21,888</u>	<u>77</u>

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at date of incorporation, 12 December 2017 and at 1 January 2018	5	5	-
Total comprehensive income for the period	(1,275)	-	(1,275)
Issuance of shares pursuant to the acquisition of subsidiaries as part of the restructuring exercise	19,220	17,700	1,520
Issuance of new shares pursuant to IPO	15,600	15,600	-
Capitalisation of IPO expenses pursuant to issuance of new shares	(750)	(750)	-
Balance as at 30 June 2018	<u>32,800</u>	<u>32,555</u>	<u>245</u>

⁽ⁱ⁾ The share capital, retained earnings and foreign currency translation reserve represent the share capital, retained earnings and foreign translation reserve of Hyphens Pharma Pte. Ltd. and its subsidiaries prior to the Restructuring Exercise.

- 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.**

	Number of shares issued '000	Issued and paid- up capital S\$'000
At date of incorporation, 12 December 2017	5	5
Acquisition of subsidiaries satisfied through share swap as adjusted for the Share Split	239,995	17,700
	240,000	17,705
Issuance of new shares pursuant to IPO	60,000	15,600
Capitalisation of IPO expenses	-	(750)
Balance as at 30 June 2018	300,000	32,555

The Company has no treasury shares or convertible instruments as at 30 June 2018 and 30 June 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.**

The Company has no treasury shares as at 30 June 2018 and 31 December 2017.

The total number of issued shares, excluding treasury shares, as at 30 June 2018 was 300,000,000 (31 December 2017: 5,000).

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

Not applicable

- 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

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

The figures have not been audited or reviewed by the auditors of the Company.

- 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

Save as disclosed in Section 5 below, the accounting policies and methods of computation adopted in the financial statements for the reporting period are consistent with those disclosed in the most recently audited combined financial statements for the financial year ended 31 December 2017.

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

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I)s ("SFRS(I)INT") that are effective for the financial periods beginning on or after 1 January 2018. The adoption of these SFRS(I)s 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.

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

	2Q2018	2Q2017	1H2018	1H2017
Earnings per share ("EPS")				
Profit attributable to owners of the Company (S\$'000)	1,612	2,167	3,407	3,785
On a basic and diluted basis (Singapore cents per share)	0.54	0.72	1.14	1.26

Note: For comparative purposes, the EPS for the respective financial periods have been computed based on the profit attributable to owners of the Company and share capital of 300,000,000 shares assuming that the Restructuring Exercise and the issuance of 60,000,000 new shares pursuant to the IPO had been completed as at 1 January 2017.

The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 June 2018 and 30 June 2017.

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 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
Net asset value ("NAV") (S\$'000)	37,195	18,830	32,800	5
NAV per ordinary share (Singapore cents per share)	12.40	6.28	10.93	-

Note: For comparative purposes, the NAV per ordinary share for the respective financial periods have been computed based on the share capital of 300,000,000 shares assuming that the Restructuring Exercise and the issuance of 60,000,000 new shares pursuant to the IPO had been completed as at 1 January 2017.

- 8 **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on**

Consolidated Statement of Comprehensive Income

2Q2018 compared to 2Q2017

	Group					
	2Q2018	2Q2017	Change	1H2018	1H2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue						
Specialty pharma principals	18,200	17,174	6.0%	35,872	31,038	15.6%
Proprietary brands	3,386	3,346	1.2%	6,763	6,317	7.1%
Medical hypermart and digital	9,300	10,214	-8.9%	18,880	20,123	-6.2%
	<u>30,886</u>	<u>30,734</u>	<u>0.5%</u>	<u>61,515</u>	<u>57,478</u>	<u>7.0%</u>

Revenue

The Group's revenue for 2Q2018 increased by 0.5% or S\$0.2 million over 2Q2017 to S\$30.9 million. The increase was mainly due to increased revenue from specialty pharma principals segment following higher demand for radiology products, improved sales of dermocosmetic products in the proprietary brands segment, partially offset by reduced sales from medical hypermart and digital segment.

Gross profit

Gross profit for 2Q2018 increased 11.2% or S\$1.1 million from 2Q2017 to S\$11.1 million. Gross profit margin for 2Q2018 increased 3.5% from 32.5% in 2Q2017 to 36.0% in 2Q2018. This was mainly due to increased contribution from specialty pharma and proprietary brands segments which have higher margins compared to medical hypermart and digital segment.

Other gains

Other gains for 2Q2018 declined by 60.6% or S\$0.06 million from 2Q2017 to S\$0.04 million, mainly due to absence of reversal of allowance for impairment of trade receivables.

Marketing and distribution costs

Marketing and distribution costs in 2Q2018 increased by 2.1% or S\$0.1 million to S\$5.6 million due to increased personnel costs following annual salary adjustment and increase in headcount.

Administrative expenses

Administrative expenses increased by 78.7% or S\$1.5 million, from S\$1.8 million in 2Q2017 to S\$3.3 million in 2Q2018 mainly due to one-off IPO expenses of S\$0.9 million. Excluding the impact of the one-off IPO expenses, administrative expenses increased by 28.7% or S\$0.5 million compared to 2Q2017. The increase was attributed to increase in administrative personnel to support the Group's operations, higher R&D expenses and commencement of rental expenses for the new integrated facility.

Consolidated Statement of Comprehensive Income (cont'd)

2Q2018 compared to 2Q2017 (cont'd)

Finance costs

Finance costs of S\$0.04 million for 2Q2018 were 36.5% or S\$0.02 million lower than 2Q2017 due to gradual repayment of term loan.

Other losses

Other losses in 2Q2018 of S\$0.09 million remained comparable with 2Q2017.

Profit before tax

Profit before tax decreased by 18.4% or S\$0.4 million from S\$2.6 million in 2Q2017 to S\$2.2 million in 2Q2018. Excluding impact of the one-off IPO expenses, profit before tax for 2Q2018 would have been S\$3.1 million, an increase of 16.5% or S\$0.4 million compared to 2Q2017.

Income tax expense

Income tax expense increased by 14.9% or S\$0.07 million from S\$0.47 million in 2Q2017 to S\$0.54 million in 2Q2018, mainly due to non-tax-deductibility of IPO expenses.

Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 25.6% or S\$0.6 million, from S\$2.2 million in 2Q2017 to S\$1.6 million in 2Q2018. Excluding the one-off IPO expenses of approximately S\$0.9 million, the Group recorded a net profit after tax of S\$2.5 million in 2Q2018, a 16.8% or S\$0.3 million increase compared to 2Q2017.

1H2018 compared to 1H2017

Revenue

The Group's revenue for 1H2018 increased by 7.0% or S\$4.0 million over 1H2017 to S\$61.5 million. The increase was mainly due to a 15.6% increase in sales from specialty pharma principal segment following higher demand for radiology and musculoskeletal products.

Gross profit

Gross profit for 1H2018 increased by 8.8% or S\$1.7 million from 1H2017 to S\$20.7 million. Gross profit margin increased 0.6% from 33.1% in 1H2017 to 33.7% in 1H2018. This was mainly due to increased contribution from specialty pharma principal and proprietary brands segments which have higher margins compared to medical hypermart and digital segment.

Other gains

Other gains in 1H2018 was S\$0.17 million, a decline of 23.8% or S\$0.05 million from 1H2017 mainly due to absence of reversal of allowance for impairment of trade receivables, partially offset by an increase in government grants.

Marketing and distribution costs

Marketing and distribution costs in 1H2018 increased by 4.3% or S\$0.4 million to S\$10.7 million, due to increased personnel costs following an increase in headcount and higher freight costs incurred, which is in line with higher revenue derived from overseas markets.

Administrative expenses

Administrative expenses increased by 47.0% or S\$1.7 million, from S\$3.7 million in 1H2017 to S\$5.4 million in 1H2018 mainly due to one-off IPO expenses of S\$0.9 million. Excluding the impact of the one-off IPO expenses, administrative expenses increased by 21.9% or S\$0.8 million compared to 1H2017. The increase was attributed to an increase in administrative personnel to support the Group's operations, higher R&D expenses and commencement of rental expenses for the new integrated facility.

Finance costs

Finance costs of S\$0.07 million for 1H2018 were 42.2% or S\$0.05 million lower than 1H2017 due to gradual repayment of term loan.

Consolidated Statement of Comprehensive Income (cont'd)

1H2018 compared to 1H2017 (cont'd)

Other losses

Other losses in 1H2018 decreased by 47.5% or S\$0.3 million to S\$0.3 million due to reduced foreign exchange losses following strengthening of USD and EUR against SGD over the corresponding period and lower stock obsolescence provision and write-off.

Profit before tax

Profit before tax decreased by 4.4% or S\$0.2 million from S\$4.6 million in 1H2017 to S\$4.4 million in 1H2018. Excluding impact of the one-off IPO expenses, profit before tax for 1H2018 would have been S\$5.3 million, an increase of 15.7% or S\$0.7 million compared to 1H2017.

Income tax expense

Income tax expense increased by 22.0% or S\$0.18 million, from S\$0.80 million in 1H2017 to S\$0.98 million in 1H2018, mainly due to non-tax-deductibility of IPO expenses.

Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 10.0% or S\$0.4 million, from S\$3.8 million in 1H2017 to S\$3.4 million in 1H2018. Excluding the one-off IPO expenses of approximately S\$0.9 million, the Group recorded a net profit after tax of S\$4.3 million in 1H2018, a 14.3% or S\$0.5 million increase compared to 1H2017.

Consolidated Statements of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 June 2018 and 31 December 2017.

Non-current assets

The Group's non-current assets increased by S\$0.4 million from S\$10.1 million as at 31 December 2017 to S\$10.5 million as at 30 June 2018 primarily due to progress payments made for the setting up of the new integrated facility of approximately S\$0.8 million, partially offset by amortisation of intangible assets.

Current assets

The Group's current assets increased by S\$20.3 million from S\$49.5 million as at 31 December 2017 to S\$69.8 million as at 30 June 2018 mainly due to an increase in cash and cash equivalents, trade and other receivables as well as inventories of S\$13.7 million, S\$4.9 million and S\$1.7 million respectively.

The increase in cash and cash equivalents was mainly due to net proceeds from issuance of new shares pursuant to the IPO of S\$13.6 million, partially offset by the payment of the interim dividend amounting to an aggregate of S\$3.0 million declared on 26 December 2017 by Hyphens Pharma Pte Ltd, our wholly owned subsidiary, paid to the then existing shareholders.

The increase in trade and other receivables was mainly due to increase in trade receivables from Vietnam distributors and rental deposit of S\$0.4 million paid for the new integrated facility.

Non-current liabilities

The Group's non-current liabilities decreased by S\$0.8 million from S\$2.1 million as at 31 December 2017 to S\$1.3 million as at 30 June 2018 primarily due to decrease in other financial liabilities of S\$0.8 million following repayment of loans.

Current liabilities

The Group's current liabilities increased by S\$3.2 million from S\$38.6 million as at 31 December 2017 to S\$41.8 million as at 30 June 2018. This was mainly attributable to increase of S\$2.6 million in other financial liabilities due to new short-term borrowings for working capital, partially offset by repayment of loans, increase of S\$0.3 million in trade and other payables and increase of S\$0.3 million in income tax payable.

Consolidated Statements of Cash Flows

2Q2018 compared to 2Q2017

The Group generated net cash of S\$3.3 million from operating activities in 2Q2018, mainly due to operating cash flows before changes in the working capital of S\$3.2 million and net working capital inflows of S\$0.5 million, offset by income taxes paid of S\$0.4 million.

The net working capital inflows were due to (i) decrease in trade and other receivables of S\$0.8 million, partially offset by (ii) increase in inventories of S\$0.1 million, and (iii) decrease in trade and other payables of S\$0.3 million.

Net cash flows used in investing activities during 2Q2018 amounted to S\$0.8 million, mainly attributable to progress payments made for the setting up of the new integrated facility.

Net cash flows generated from financing activities amounted to S\$13.9 million during 2Q2018, mainly due to IPO proceeds of S\$15.6 million and proceeds from short-term bank borrowings of S\$4.5 million, partially offset by (i) partial payment of FY2017 dividends of S\$3.0 million, (ii) IPO expenses of S\$1.7 million, and (iii) repayment of bank borrowings amounting to S\$1.5 million.

1H2018 compared to 1H2017

The Group generated net cash of S\$1.9 million from operating activities in 1H2018, mainly due to operating cash flows before changes in the working capital of S\$5.8 million, partially offset by net working capital outflows of S\$3.3 million and income taxes paid of S\$0.7 million.

The net working capital outflows were due to (i) increase in trade and other receivables by S\$4.9 million, (ii) increase in inventories by S\$1.7 million, partially offset by (iii) increase in trade and other payables by S\$3.3 million.

Net cash flows used in investing activities during 1H2018 amounted to S\$0.9 million, mainly attributable to progress payments made for the setting up of the new integrated facility.

Net cash flows generated from financing activities amounted to S\$12.7 million during 1H2018, mainly due to IPO proceeds of S\$15.6 million and proceeds from bank borrowings of S\$4.5 million, partially offset by (i) partial payment of FY2017 dividends of S\$3.0 million; (ii) repayment of bank borrowings amounting to S\$2.7 million; and (iii) IPO expenses of S\$1.7 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

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

As at the date of this Announcement, the Board of Directors is not aware of any significant change in trends that will significantly affect the Group's overall operations and businesses. In Singapore, the trend of growing healthcare demand continues to be driven by an aging population with growing healthcare needs. In Vietnam, the pharma market is expected to continue its steady growth. However, foreign invested entities operating in the pharmaceutical sector are coming under growing scrutiny by Vietnam's Ministry of Health as the Pharmacy Law 2016 is being progressively implemented. In Malaysia, the recent change in government and the scrapping of Goods and Services tax has affected purchase patterns. Further disruptions may potentially occur when the new sales and services tax is implemented. However, the overall healthcare demand is not expected to be significantly affected.

We have outlined a number of strategies to grow our business in our Offer Document. We are actively working on implementing those strategies such as expanding and strengthening our product range, looking at geographic expansion and seeking strategic opportunities. We are also expected to move our operation into our new integrated facility in 2H2018. This will provide us a more conducive operating environment and with the integration of all business units under the same roof, greater productivity.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? **No**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **No**

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared or recommended, a statement to that effect

No dividend has been declared or recommended for the period under review.

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

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

14 Negative confirmation of Interim Financial Results pursuant to Rule 705(5)

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for 2Q2018 and 1H2018 to be false or misleading in any material aspect.

Lim See Wah
Chairman and Chief Executive Officer

Tan Chwee Choon
Executive Director

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

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

16 Utilisation of Proceeds from the Initial Public Offering (“IPO”)

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

	Allocated S\$'000	Utilised S\$'000	Balance S\$'000
Business expansion, including potential acquisitions, joint ventures, product development and research and development collaborations	7,000	-	7,000
Setting up of our integrated facility	3,000	1,358	1,642
General corporate and working capital purposes	3,500	249	3,251
Payment of underwriting and placement commissions as well as offering expenses	2,100	2,048	52 ⁽¹⁾
Gross proceeds from the Invitation	15,600	3,655	11,945

Note:

(1) The balance amount after payment of underwriting and placement commissions, as well as offering expenses in relation to the IPO will be re-allocated to general corporate and working capital purposes.

BY ORDER OF THE BOARD
Lim See Wah

Chairman and Chief Executive Officer

10 August 2018