Hyphens

HYPHENS PHARMA INTERNATIONAL LIMITED
ANNUAL REPORT 2018

SINGAPORE'S LEADING SPECIALTY PHARMACEUTICAL AND CONSUMER HEALTHCARE GROUP

OUR VISION

We provide a better quality of life

OUR MISSION

To be a dominant ASEAN Pharmaceutical & Consumer Healthcare Group built on trusted brands and relationships

OUR VALUES

Care	Passion	Integrity	Ambition
We care for our customers and employees, fulfilling their needs and aspirations	We strive to be different by adopting innovation	We are a reliable and ethical team	We are admired and continue to aim high

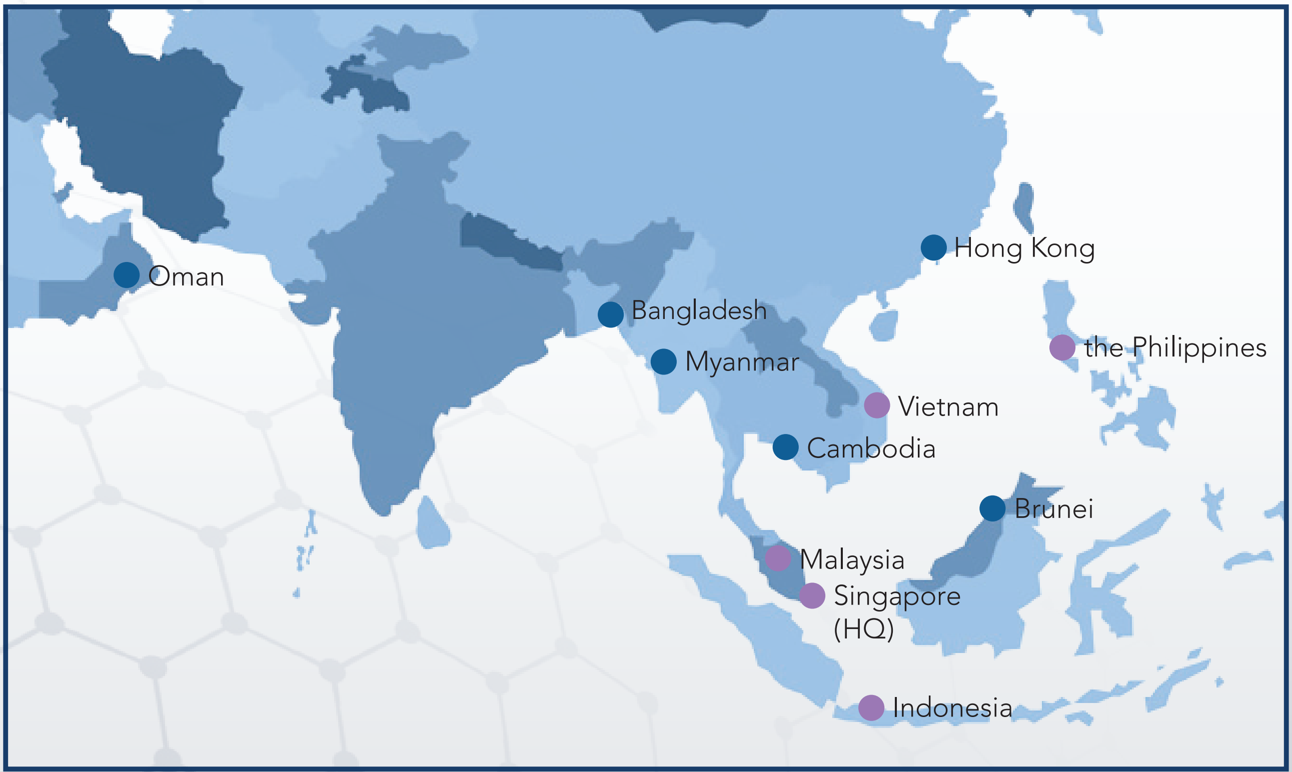
CONTENTS

CORPORATE PROFILE

We are Singapore's leading specialty pharmaceutical and consumer healthcare group, leveraging on our diverse footprint in ASEAN countries.

With our Group's history dating back to 1998, we have a direct presence in five ASEAN countries – **Singapore (HQ), Indonesia, Malaysia, the Philippines and Vietnam,** and are supplemented by a marketing and distribution network covering six other markets – **Bangladesh**, **Brunei, Cambodia, Hong Kong, Myanmar** and **Oman**.

Comprising three main business entities – Hyphens Pharma, Pan-Malayan Pharmaceuticals and Ocean Health, our core business is in three segments: Specialty Pharma Principals, Proprietary Brands, and Medical Hypermart and Digital.



Direct Presence, Marketing & Distribution Network
Marketing & Distribution Network

OUR BUSINESS SEGMENTS

Specialty Pharma Principals

We market and sell 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.

We have, over time, developed significant experience in certain therapeutic areas or medical specialties. We target our specialty pharmaceutical products around these therapeutic areas such as dermatology, paediatrics and neonatology, allergy, otorhinolaryngology (ear, nose and throat), orthopaedic and rheumatology, radiology, cardiology and interventional cardiology, ophthalmology, gastroenterology, child psychiatry and family medicine.

As of 31 December 2018, our specialty pharmaceutical product portfolio comprises more than 30 products. The major products in our product portfolio include contrast media products, Stérimar® nasal sprays, Bausch+Lomb eye drops, Vivomixx™, Fenosup® Lidose® and Piascledine®.

Proprietary Brands

We develop, market and sell our own proprietary range of dermatological products and health supplement products through Hyphens and Ocean Health Singapore. Our key proprietary products comprise dermocosmetic products marketed under our Ceradan® and TDF® brands as well as health supplement products marketed under our Ocean Health® brand.

Dermatological products refer to skincare products formulated using active ingredients selected from a dermatological point of view to support the management of various skin conditions.

We market Ceradan® and TDF® products primarily through medical professionals, including general practitioners, dermatologists, paediatricians and pharmacists. Ocean Health® products are marketed directly to consumers in Singapore via retail channels, including major retail pharmacies.

Our Dermatological Products

We engage in the research and development of medical dermatological products to meet the needs of patients suffering from various skin disorders. We have developed a proprietary range of medical skincare and pharmaceutical products, with a focus on atopic dermatitis, acne, ageing skin and hyperpigmentation.

We launched our first proprietary product, Ceradan®, a ceramide-dominant emollient, in Singapore in 2011. In 2016, we broadened our dermatology portfolio to include TDF®, a line of dermocosmetic products, through our acquisition of Ocean Health Singapore.

Our TDF® range is designed to improve facial skin health, with a focus on the management of oily and acne-prone skin, dehydrated and sensitive skin, ageing skin and hyperpigmentation. The products in our TDF® range include facial cleansers, moisturisers and sunscreens for various skin types, as well as acne and eye care products.

The best-selling products in our TDF® range are our acne, skin pigmentation, sun protection and age defence series.

Our Health Supplement Products

We expanded our range of proprietary products to include Ocean Health® health supplements following our acquisition of Ocean Health Singapore in 2016. Current product offerings under our Ocean Health® range are specially formulated to address various specific health needs. These products are in the categories of general health, heart health, joint health, physical health, brain health, eye health and children's health.

We have a strong retail distribution channel for our Ocean Health® products and we believe that we carry one of the most widely distributed health supplement products in Singapore. Our Ocean Health® products are sold in all major retail pharmacies, hospital pharmacies, departmental stores, supermarkets and selected Chinese medical halls in Singapore. They are also sold online, on our e-shop (www.oceanhealth.com) as well as on third party online marketplaces such as JD Worldwide and ICBC Mall (which are online marketplaces based in China), Qoo10, Lazada and Redmart.

Our best-selling Ocean Health® product ranges include the Omega 3 range, Multivitamin & Minerals range and Joint range. We also have the Clinical Series, a professional range of health supplement products that we have developed to meet the clinical nutrition needs of patients. We currently market the Clinical Series to physicians in Singapore and intend to continue developing additional products under this series.

Medical Hypermart and Digital

We engage in the wholesale of pharmaceuticals and medical supplies in Singapore through Pan-Malayan, which we position as a Medical Hypermart for healthcare professionals, healthcare institutions and retail pharmacies.

Pan-Malayan's wholesale business has been ongoing since the late 1940s, making Pan-Malayan one of the oldest and most established pharmaceutical wholesalers in Singapore. Besides the conventional business model of tele-sales and sales representatives, we have also established an online platform (www.pom.com.sg) to support the needs of our customers.

This online B2B platform, which we refer to as our online Medical Hypermart, allows registered customers to browse our wholesale product offerings and also serves as a platform for brand principals to provide information regarding their products as well as educational materials to the medical professionals.

Daily wellness and immunity begin in your gut
RESTORE YOUR GUT MICROFLORA BALANCE
8 clinically proven synergistic probiotic strains
Ocean HEALTH
DAILY LIVE PROBIOTICS
8 STRAINS OF CLINICALLY PROVEN* FORMULA
PROMOTE & PROTECT GUT AND IMMUNITY
30 CAPSULES 10 BILLION CFU
DAILY KIDS LIVE PROBIOTICS
8 STRAINS OF CLINICALLY PROVEN* FORMULA WITH ADDED VIT B, VIT D AND ZINC
PROMOTE & PROTECT GUT AND IMMUNITY
20 CHEWABLE TABLETS 10 BILLION CFU
VIVOMIXX™
For restoring and maintaining a healthy gut
112.5 billion live lactic acid bacteria and bifidobacteria per capsule
30 Capsules
Brought to you by:
Hyphens
HIGH STRENGTH FORMULA
112.5 Billion LIVE Bacteria
DEFENCE FORMULA
10 Billion LIVE Bacteria
WIDELY PRESCRIBED
by gastroenterologists
ADDED WITH VITAMINS
B, D and Zinc
in Kids formula
Capsules
Mini Capsules
for Adults
Chewable Tablets
Yummy banana flavour for Kids
Now available in selected Guardian, Watsons and Unity stores with pharmacist counters.

MILESTONES / KEY EVENTS

1998
Started with investment in Pan-Malayan Pharmaceuticals

2001
Acquisition of Hyphens Pharma

2004
Started operation in Malaysia

2007
Started operation in the Philippines

2010
Hyphens Pharma received the prestigious E50 Award

2011

Started operation in Indonesia

Launch of Ceradan, the first proprietary product owned by Hyphens Pharma

2013

Transformation of Pan-Malayan Pharmaceuticals as a wholesaler to "The Medical Hypermart"

Pan-Malayan Pharmaceuticals received the prestigious E50 Award

2016

Acquisition of Ocean Health

Hyphens Pharma and Singapore's Agency for Science, Technology and Research (A*STAR) inked MoU to be Strategic Dialogue Partners in the Field of Dermatology

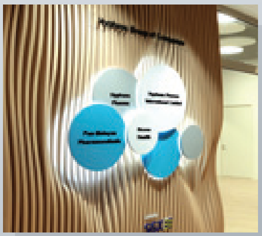
2017

Filed for a patent in the UK

2018

Listed on Catalist, SGX-ST

Moved into Corporate Headquarters and Integrated Facility



CHAIRMAN'S STATEMENT

"The Group remains focused on further cementing our leadership position in Singapore and deepening our presence in ASEAN. "

Dear Shareholders,

It brings me great pleasure to present to you the Group's ("Hyphens") results for the financial year ended 31 December 2018 ("FY2018"). In a landmark year for Hyphens, the Group achieved two major milestones in our corporate history – a successful public listing and the setting up of an integrated facility in Singapore. We have also brought our proprietary brand names into new geographies. Overall, it was a fruitful year that saw Hyphens embark and grow on its planned strategies, growing from strength to strength.

Going Bigger

Following two decades of progressive development since Hyphens' founding, the time had come to take the next big step to unlock even greater potential for the Group. We launched our initial public offering ("IPO") in May 2018 on the Catalist Board of SGX-ST and are grateful to have received the support from private placement investors, including our cornerstone investors (Nikko Asset Management Asia, Qilin Asset Management and Maxi-Harvest Group) and for the overwhelming support during the public offer, which was approximately 152 times subscribed.

This show of support for Hyphens serves as a pronounced affirmation of our credentials and for the products under our wing. From being previously owned by just three private individual shareholders, the IPO has enabled the Group to grow with our now larger investor base, and provided us with a platform to execute our next phase of growth strategies to take Hyphens to greater heights.

One such growth strategy, which was recently realised, was the establishment of an integrated facility that brings 41,219 square feet of office, warehouse and packaging space under one roof. Serving as the flagship of the Hyphens brand, the integrated facility brings our Singapore staff from different business entities and departments closer together, and we expect to unlock synergies and increase productivity within the Group.

2018

$120.9 million
Revenue

$40.8 million
Gross Profit

$5.4 million
Net Profit

A Rising Growth Trajectory

Following the achievement of our two major milestones, the Group registered a total revenue of S$120.9 million for FY2018, a 7.3% growth year-on-year ("YOY"), following stronger performance from our Specialty Pharma Principals and Proprietary Brands business segments. Profit net of tax dipped 11.1% to S$5.4 million in FY2018 as compared to FY2017, mainly due to higher one-off IPO expenses incurred in FY2018.

The Specialty Pharma Principals business segment contributed to the bulk of our revenue for FY2018 with a robust 14.3% growth following higher demand for our products. Meanwhile, the Proprietary Brands business segment, comprising our Ceradan®, TDF® and Ocean Health® brands, experienced a 6.3% growth in the same year. Alongside new product releases and new market entries, our proprietary brands also continued to gain recognition in both new and existing markets. Revenue for Medical Hypermart and Digital, our third business segment, declined by 3.1%, owing to a competitive Singapore landscape, but the segment nevertheless saw an increase in profitability. Overall, we are encouraged by the record revenue achieved and the strong cash flow from operating activities which rose by 63.2% to S$7.5 million in FY2018.

Looking Forward

The Group remains focused on further cementing our leadership position in Singapore and deepening our presence in ASEAN. Looking ahead, we will be striving to sustain the robust business momentum attained in FY2018, and will continue to enhance our product offerings, including launching new dermatological products with patented or patent-pending technologies, extend our geographical footprint through the appointment of distributors and seek strategic collaboration and acquisition opportunities.

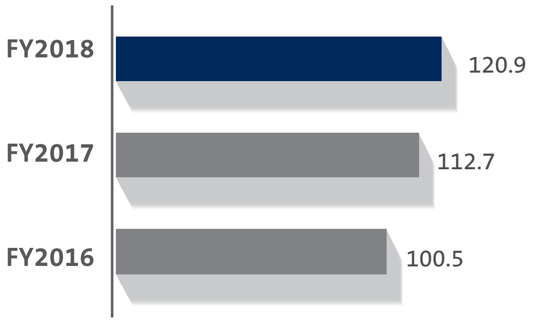
Dividend and Acknowledgements

In recognition of the firm support of our shareholders, the Board will be recommending a final dividend of 0.55 cents per share, subject to shareholders' approval at the upcoming Annual General Meeting. I would also like to thank our business and research partners, customers and staff for a fruitful FY2018, and I look forward to your continued support in the upcoming year ahead.

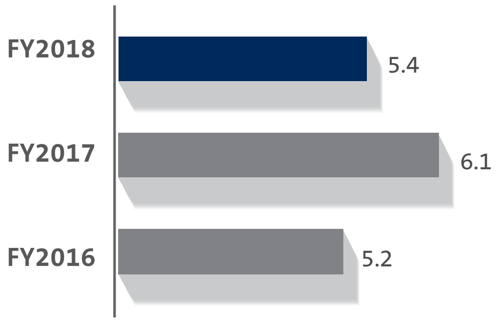
Lim See Wah
Chairman, Executive Director & CEO

FINANCIAL HIGHLIGHTS

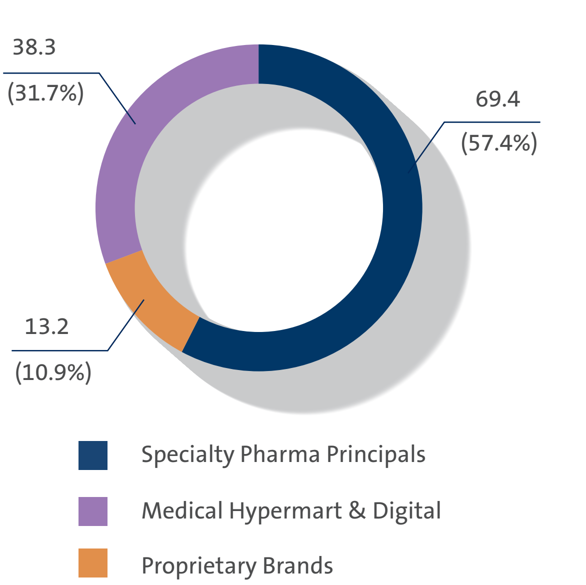
REVENUE (S$'mil)



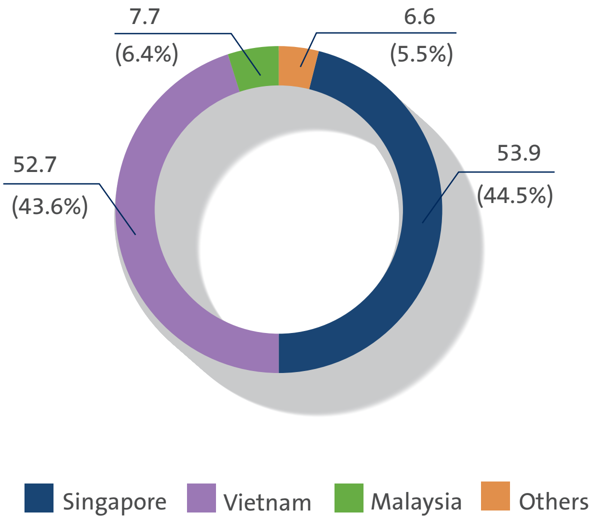
PROFIT, NET OF TAX (S$'mil)



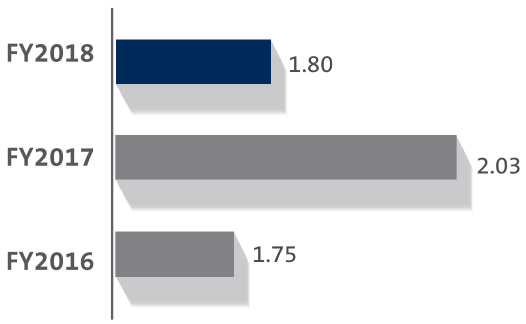
FY2018 REVENUE BY BUSINESS SEGMENT (S$'mil)



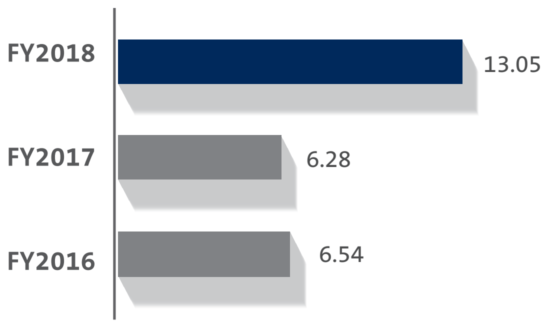
FY2018 REVENUE BY GEOGRAPHY (S$'mil)



EARNINGS PER SHARE (Singapore cents)*



NET ASSET VALUE PER SHARE (Singapore cents)*



** For comparative purposes, EPS and NAV per share have been computed based on 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 2016.*

OPERATIONS & FINANCIAL REVIEW

In FY2018, the Group was focused on the completion of two major milestones – the public listing and the setting up of an integrated facility in Singapore. These milestones now serve as platforms for us to drive further long-term growth. Concurrently, the Group continued to build on its established brand name, distribution network and expertise, curate new product lines and advance into new markets.

Group revenue for FY2018 grew 7.3% YOY to S$120.9 million while gross profit increased by 10.4% YOY to S$40.8 million, and the gross profit margin rose from 32.8% in FY2017 to 33.7% in FY2018, with the Specialty Pharma Principals and Proprietary Brands business segments which have higher margins, making larger contributions.

Broadening Our Portfolio

Specialty Pharma Principals, the mainstay of our business, surged 14.3% in FY2018 following higher demand for allergy, radiology and musculoskeletal products. This included two new successful product entrances into Singapore: Rupafin® oral solution, used for the treatment of allergic rhinitis[1] and urticaria[2] in children, and D-Cure®, used for the prevention and treatment of Vitamin D deficiency. Most of the geographical markets in the Specialty Pharma Principals business segment demonstrated growth.

Our Proprietary Brands business segment grew by 6.3% in FY2018. This segment comprises our dermatological products under our Ceradan® and TDF® brands, and nutritional supplements under our Ocean Health® brand. Besides the successful entry of Ceradan® into Oman and Bangladesh, marking our first foray into the Middle East and South Asian markets respectively, we also introduced six new products under this segment in FY2018.

On the dermatological front, TDF® introduced SPF 30 UVA/UVB Sunscreen and Acne Cleansing Powder. Ocean Health® released two products under its Clinical Series – Nutrivite, a new multivitamin and mineral product formulated for patients with special nutritional needs and Bi-cold, an immune support syrup for children to battle against common cold. Ocean Health® also branched out into the field of gut health and launched Daily Live Probiotics and Daily Kids Live Probiotics featuring the Vivomixx® formula. Clinically proven to contain a blend of eight strains of live bacteria, Vivomixx® is widely recognised and recommended by gastroenterologists. By leveraging on the strong brand and user experience with Vivomixx®, these two new products serve to provide general gut health maintenance for more potential users.

Two of our dermatological products are scheduled for imminent launches in first half of 2019. One of them is Fairence® T-Complex, a hyperpigmentation cream featuring a formulated blend of three key ingredients using Xcelarev®, a patented delivery technology. The other is Ceradan® Advanced, our next-generation Ceradan® cream, whose patent registration is pending in the United Kingdom.

Furthermore, we are preparing two drug product registrations for the management of atopic dermatitis. One of these drugs is developed with a licensed platform technology from the Agency for Science, Technology and Research ("A*STAR"). We have also entered into a few Research Collaboration Agreements with A*STAR in the field of acne management and support, and are looking forward to creating new innovations through these collaborations.

Our third business segment, Medical Hypermart and Digital, saw revenue softened by 3.1% YOY. However, with cost reduction measures and growth in our House Brand product range which typically carries higher profit margins, profit before tax of this business segment grew by 2.5% YOY despite recording a lower revenue. Our online portal was also upgraded with educational materials, some of which are recognised under the Singapore Medical Association's Continuing Medical Education ("CME") programme which allows doctors to earn CME points as part of their practicing requirements. This expands the appeal of the online Medical Hypermart to beyond inventory restocking, and allows us to serve as a continuous bridge between our suppliers and customers.

Garnering Recognition

In addition to an expanded product portfolio, our existing products also earned various accolades. In FY2018, Ceradan® skin barrier repair cream was recognised as the best ceramide moisturiser for eczema-prone skin in Singapore's Child magazine, and Ceradan® emerged as the number one "top-of-mind" brand among dermatologists[3]. Ocean Health® also clinched various awards including the Superbrands Award, Readers' Digest Trusted Brand (Gold) Award, the Guardian Health and Beauty Awards, Watsons Health, Wellness & Beauty Award and the Unity Popular Choice Award.

These accolades and awards attest to our products' quality and brand recognition.

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[1] *The inflammation of the mucous membrane of the nose. Symptoms include runny nose and sneezing.*
[2] *Urticaria, also known as hives, is the result of a body's reaction to certain allergens causing an outbreak of swollen, itchy red bumps on the skin.*
[3] *Based on a market study conducted by IQVIA, an independent third-party analytics firm, commissioned in 2018.*

OPERATIONS & FINANCIAL REVIEW

Laying the Groundwork for Long-Term Growth

Distribution costs rose 6.5% to S$21.7 million YOY, in tandem with higher Group revenue. This was mainly due to higher advertising and promotional expenses, and freight costs incurred, which rose in tandem with higher revenue derived from overseas markets.

Administrative expenses rose 23.0% YOY to S$10.4 million in FY2018, mainly due to one-off IPO expenses amounting to approximately S$0.9 million[4]. Also contributing to the higher administrative expenses were higher rental expense for the new integrated facility (incurred concurrently with leases at our previous premises[5]), relocation costs, and higher research and development expenses to support the development and release of our aforementioned products.

These outlays, however, are instrumental for supporting Hyphens' long-term growth. In line with our high-quality assurance standards, our warehouse and packaging facility has been audited and licensed by the Health Sciences Authority ("HSA") according to Good Distribution Practice ("GDP") and Good Distribution Practice for Medical Devices ("GDPMDS") and Good Manufacturing Practice ("GMP") standards respectively. Our new integrated facility houses an automated packaging line which was designed in conjunction with Singapore Polytechnic's Food Innovation and Resource Centre, while our warehousing space layout was designed and optimised in consultation with Republic Polytechnic's Centre of Innovation for Supply Chain Management. With more streamlined operational and logistical processes, we expect increased operational efficiencies, productivity and cost efficiencies in our workflow.

Meanwhile, the gradual repayment of term loan allowed us to reduce finance costs by 37.4% YOY to S$0.1 million. Other losses increased by 80.4% to S$1.8 million, which was mainly due to impairment loss on goodwill in consideration of reduced rate of sales growth in the acquired proprietary brands due to weaker retail sales in Singapore. Income tax expense rose 48.3% YOY to S$1.6 million in FY2018, mainly due to the non-tax deductibility of IPO expenses and impairment losses.

As a result of the above, the Group's profit net of tax, decreased by 11.1% YOY to S$5.4 million in FY2018.

Expanding our Talent Pool

In line with our growth strategies, we have introduced several key positions to support the Group's expansion, and filled them with talented individuals with many years of experience in the market. These include:

- Business Director for Hyphens Dermatology to lead the overall skin health business;
- Business Development Director to spearhead new product sourcing and internationalisation of our proprietary brands;
- Vice-President for the Philippines to drive the growth in the Philippines market; and
- Associate Marketing Director to drive the growth of the consumer healthcare business.

The Management looks forward to working closely with these key staff to further drive our business growth.

Giving Back to Society

Aside to advancing our corporate goals, we also look at other ways to give back to the society. One such event in 2018 was the annual charity medical mission to rural communities undertaken by our Vietnam team. In partnership with the Ha Tinh Young Medical Doctor Association, we offered free health check-ups and dispensed medicine to more than 400 people, especially the young and old, in Thanh My Commune, Ha Tinh Province (North Vietnam). This is part of our Group's vision in "Providing a Better Quality of Life" to people. We will continue to carry out such mission aids to the needy, bringing quality healthcare to the rural provinces, helping them live a better life.

Future Growth

The Group remains focused on further cementing our leadership position in Singapore and deepening our presence in ASEAN. With our established footprint, we expect our business momentum to continue. Following the successful launches of new dermatological products in 2018, more launches are planned for 2019, including products with patented or patent-pending technologies, and thus the Group's skin health business is anticipated to grow rapidly.

The Group will continue to enhance our product offerings through licensing and research collaborations, as well as strengthen our manpower capital to support our expansion plans towards establishing a wider international footprint and enhance our marketing development in new and existing markets that we currently operate in. In addition, the Group will continue to explore further potential opportunities within the digital business segment.

[4] *Excluding the one-off IPO expenses, administrative expenses would have increased by S$1.3 million or 16.4% YOY.*
[5] *Most of the leases for our previous premises ended in October 2018.*


tdf®
DERMA FORMULA
XCELAREV® Skin Lightening[2]
tdf®
DERMA FORMULA
Hp Hyper-pigmentation
FAIRENCE® T-COMPLEX
PIGMENTATION CREAM
LIGHTENS DARK SPOTS IN 3 MONTHS[1]
XCELAREV® A PATENTED DELIVERY SYSTEM[2]
WELL TOLERATED WITH LONG-TERM USE[1]
FAIRENCE®
T-COMPLEX
[1] Based on data on file
[2] Patent No.: UK GB 2549418
Hyphens
Asean's Specialty Pharma Company

References:

[1] IQVIA Q3 2018. Survey on Top-of-Mind Awareness, n=31 Private Dermatologists in Singapore.
[2] Koh MJ et al. Comparison of the Simple Patient-Centric Atopic Dermatitis Scoring System PEST with SCORAD in Young Children Using a Ceramide Dominant Therapeutic Moisturizer. Dermatol Ther (Heidelb). 2017 Sep;7 (3):383-393
[3] IQVIA Q3 2018. Survey n=50 Private Paediatricians and n=31 Private Dermatologists in Singapore.

BOARD OF DIRECTORS

Mr Lim See Wah

Chairman, Executive Director & CEO

Mr Lim See Wah was appointed to our Board as Executive Director on 12 December 2017. He is the founder of our Group since it was started in September 1998 and is currently responsible for overseeing our overall operations and managing our strategic direction. He has more than 25 years of experience working in the pharmaceutical industry.

He graduated with a Bachelor of Science (Pharmacy) with Honours (Second Class Honours Upper Division) from the National University of Singapore in June 1992. He also obtained a Graduate Diploma in Business Administration from Singapore Institute of Management in May 1994.

He had also taken part in the UC Berkeley-Nanyang Advanced Management Program and the Spring Singapore: Executive Leadership Development Programme at The Wharton School of the University of Pennsylvania in August 2017.

Mr Tan Chwee Choon

Executive Director

Mr Tan Chwee Choon was appointed to our Board as Executive Director on 12 December 2017. He has had more than 35 years of experience in the pharmaceutical and consumer healthcare industries. He joined our Group in January 2004 and is currently responsible for managing our Indochina operations.

Prior to joining our Group, Chwee Choon had held key positions including International Business Development Manager at Vita Health Asia Pacific (S) Pte. Ltd., Marketing Company President (Singapore, Vietnam, and Indochina) for AstraZeneca Singapore Pte. Ltd. and Country Manager (Singapore and Indochina) of Astra Pharmaceuticals (Singapore) Pte. Ltd. Between 1995 to 2000, Chwee Choon had served as President, Singapore Association of the Pharmaceutical Industry.

Chwee Choon graduated with a Bachelor of Business (with Distinction) from Curtin University of Technology in February 1988.

Dr Tan Kia King

Non-Executive Director

Dr Tan Kia King was appointed to our Board as Non-Executive Director on 12 December 2017. He has had over 25 years of experience as a medical doctor, starting his career as a Medical Officer in the Ministry of Health. He was the Managing Director of Westpoint Family Hospital Pte. Ltd., responsible for overseeing the day-to-day operations of the hospital.

Kia King has been the Vice-Chairman of Sengkang West Citizens' Consultative Committee since July 2016. He was awarded a Public Service Medal (Pingat Bakti Masyarakat) in August 2016 for commendable public service by the Prime Minister's Office.

He graduated from the National University of Singapore with a Bachelor of Medicine and Bachelor of Surgery in June 1993.

BOARD OF DIRECTORS

Mr Heng Wee Koon

Lead Independent Director

Mr Heng Wee Koon was appointed to our Board as Lead Independent Director on 23 April 2018.

He is currently an advisor to Nihon M&A Center Inc., a mergers and acquisitions advisory firm that is listed on the Tokyo Stock Exchange, as well as Regional Marine & Engineering Services Pte. Ltd., an engineering company in offshore marine. He is also a Director of E.R.S. Advisory Pte. Ltd., a management consultancy firm.

Wee Koon was with KPMG's Transaction Services department in January 2007 and made an Executive Director in October 2008. He was a Partner of KPMG Advisory LLP when he left the firm in December 2016.

He graduated from the National University of Singapore with Bachelor of Business Administration with Honours in 1994 and obtained a Master of Business Administration from Nanjing University in 1997. He is a member of CFA Society Singapore.

Mr Ng Eng Leng

Independent Director

Mr Ng Eng Leng was appointed to our Board as Independent Director on 23 April 2018.

He is a Partner of Dentons Rodyk & Davidson LLP specialising in mergers and acquisitions and corporate work, since October 2011. He is also presently an Independent Director of Ascendas Property Fund Trustee Pte. Ltd. (as trustee-manager for Ascendas India Trust), a role that he has held since April 2013.

Eng Leng has had over 27 years of experience in legal practice. From November 2002 to September 2011, he was a Partner at WongPartnership LLP.

He graduated from the National University of Singapore with a Bachelor of Laws (LLB) in 1989 and obtained a Master of Laws (LLM) from the National University of Singapore in 1995.

Dr Poon Thong Yuen

Independent Director

Dr Poon Thong Yuen was appointed to our Board as Independent Director on 23 April 2018. He is currently the Chief Executive Officer of Histoindex Pte. Ltd., a companion diagnostic company focused on Non-Alcoholic Steatohepatitis.

He has had more than ten years of experience in venture capital investments in biomedical sciences companies. He was most recently the Chief Investment Officer of Zicom Medtacc Private Limited, now known as ZIG Ventures Private Limited, which was previously the medical technology subsidiary of Zicom Group Limited, a company listed on the Australian Securities Exchange, from March 2017 to June 2018. He continues to serve on the board of directors of ZIG Ventures. From April 2004 to August 2016, he worked at EDBI Pte. Ltd., the corporate investment arm of the Singapore Economic Development Board, where he last held the position of Vice President.

As part of his role in EDBI Pte. Ltd., he was involved in various investments in and served on the board of directors of several biomedical sciences companies in Singapore and the United States, including Amaranth Medical Pte. Ltd., Amaranth Medical, Inc., Forma Therapeutics LLC, Inviragen, Inc., Ivantis, Inc. and Sotera Wireless, Inc.

Thong Yuen graduated from National University of Singapore with a Bachelor of Science (Pharmacy) with Honours in July 2000 and a Doctor of Philosophy in July 2004.

EXECUTIVE TEAM

Ms Fang Lee Wei

Chief Financial Officer

Ms Fang Lee Wei is responsible for overseeing the overall financial management of our Group.

She joined Hyphens in 2010 and has more than 20 years of experience in audit, corporate finance and financial management. Prior to joining Hyphens, she has worked with Ernst & Young and a few Singapore Exchange Mainboard-listed companies.

Lee Wei holds a Master of Commerce in International Business from the University of New South Wales and a B.ACC (Hons) from Nanyang Technological University. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Mr John Leong

General Manager, Hyphens Pharma (Malaysia, Indonesia & Philippines)

Mr John Leong is responsible for the overall business management in Malaysia, Indonesia, and the Philippines.

He came on board Hyphens in 2015 with more than two decades of extensive experience in the pharmaceutical industry in his various roles spanning business management, sales & marketing, distribution, medical affairs and more.

John holds a B.Sc (Pharm) from the National University of Singapore. He also secured a Top Student Award for Marketing Diploma from the Chartered Institute of Marketing, UK.

Mr Jason Yeo

General Manager, Hyphens Pharma (Singapore)

Mr Jason Yeo is responsible for the overall management and growth of Hyphens Pharma and Ocean Health businesses in Singapore.

He joined Hyphens in 2002 and has risen through the ranks over the years. He has progressively held managerial roles in sales & marketing in Singapore and was Regional Manager before he assumed his current position.

Jason holds a Bachelor Degree of Science in Business & Management Studies (Hons) from the University of Bradford.

Mr David Lim

General Manager, Pan-Malayan Pharmaceuticals

Mr David Lim is responsible for the overall management of Pan-Malayan Pharmaceuticals.

Prior to joining Pan-Malayan Pharmaceuticals in 2000, he spent over 13 years in both MNC and SME environments, building an impressive track-record in both local and regional sales, marketing and business management. He handled established brands and services that include Singapore Airlines, SilkAir, Noel Gifts, Tiger and Heineken Beers.

David holds a Bachelor Degree (Honours) in Social Science from the National University of Singapore.

Ms Stella Ang

Head, Regulatory Affairs

Ms Stella Ang oversees both regulatory affairs as well as pharmacovigilance activities of Hyphens.

Prior to joining Hyphens in 1997, she was a Pharmacist with Singapore General Hospital. She has more than 20 years of regulatory experience in ASEAN countries and her regulatory expertise spans across various categories including therapeutic products, medical devices, cosmetic products and complementary medicine.

Stella is a Registered Pharmacist and holds a B.Sc (Pharm) from the National University of Singapore.

Mr Ng Yiu Cheong

Business Development Director

Mr Ng Yiu Cheong leads the overall business development efforts.

He joined Hyphens in 2006 after his stint in specialty pharmaceutical and medical device companies in the United States and serving as a community pharmacist in Singapore. Besides business development, he also has experience in business management, regional product management and marketing.

Yiu Cheong is a Registered Pharmacist and holds a B.Sc (Pharm) Hons from the National University of Singapore and Master of Business Administration from the Nanyang Technological University, Singapore.

Ms Elaine Yeh

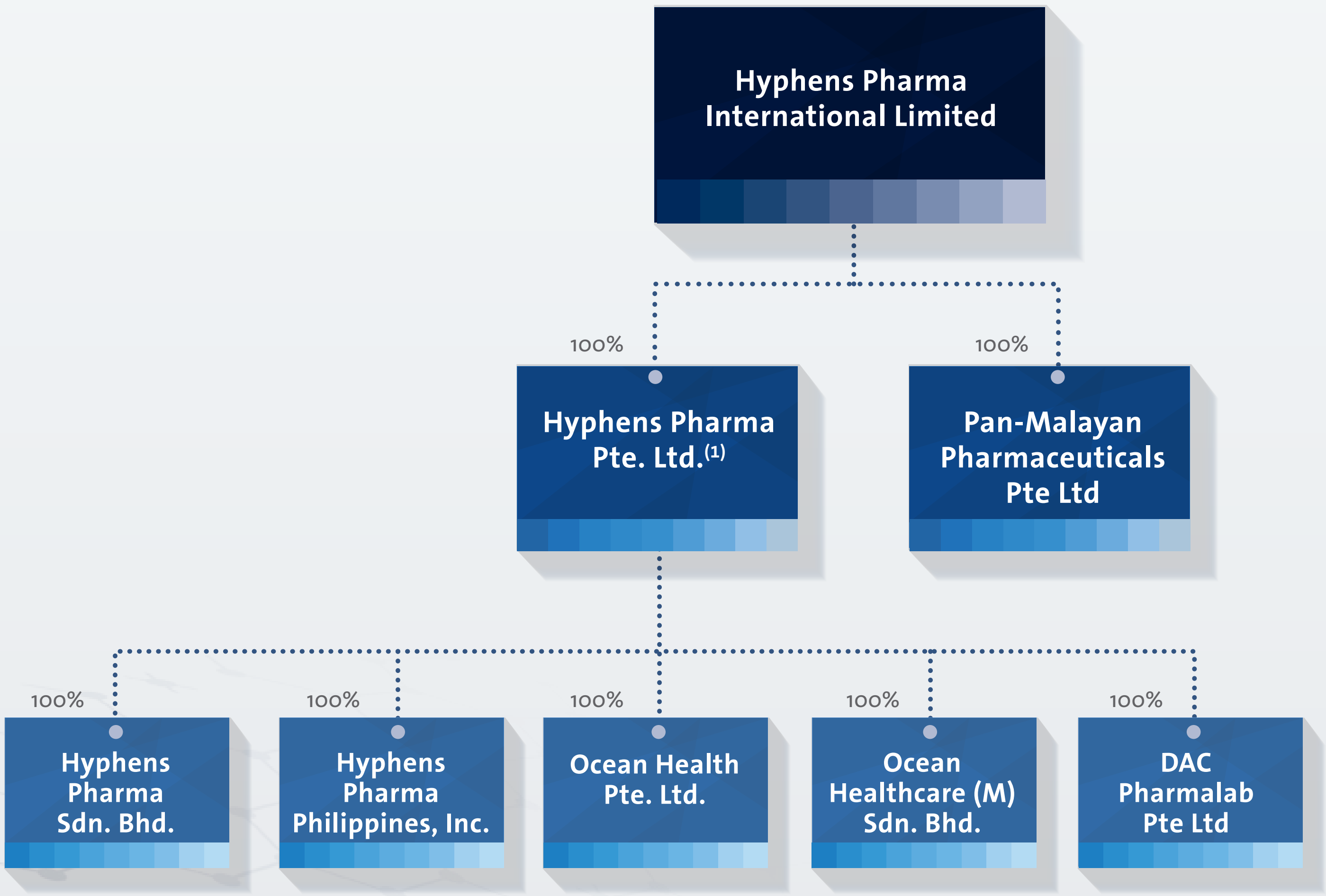
Business Director – Hyphens Dermatology

Ms Elaine Yeh takes charge of the overall business of Hyphens Dermatology.

She joined Hyphens in 2019. Over two decades, she has gained deep experience in the pharmaceutical industry with exposure to multiple therapeutic areas, including dermatology. She has held senior management positions covering local, regional and global businesses.

Elaine is a Registered Pharmacist and holds a B.Sc (Pharm) from the National University of Singapore. She is also a Chartered Marketer from the Chartered Institute of Marketing, UK.

GROUP STRUCTURE



[1] Hyphens Pharma Pte. Ltd. has two representative offices in Vietnam (Ho Chi Minh City and Hanoi) and one representative office in Indonesia (Jakarta).

CORPORATE INFORMATION

Board of Directors
Mr Lim See Wah
Executive Chairman & CEO

Mr Tan Chwee Choon
Executive Director

Dr Tan Kia King
Non-Executive Director

Mr Heng Wee Koon
Lead Independent Director

Mr Ng Eng Leng
Independent Director

Dr Poon Thong Yuen
Independent Director

Audit Committee
Mr Heng Wee Koon, Chairman
Mr Ng Eng Leng, Member
Dr Poon Thong Yuen, Member

Nominating Committee
Dr Poon Thong Yuen, Chairman
Mr Heng Wee Koon, Member
Dr Tan Kia King, Member

Remuneration Committee
Mr Ng Eng Leng, Chairman
Mr Heng Wee Koon, Member
Dr Poon Thong Yuen, Member

Company Secretary
Ms Lim Sher Mei

Registered Office
16 Tai Seng Street
Level 4
Singapore 534138

Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors
RSM Chio Lim LLP
8 Wilkie Road
#04-08 Wilkie Edge
Singapore 228095
Partner-in-charge: Ms Tay Hui Jun Sabrina
(since reporting year ended 31 December 2017)

Principal Bankers
DBS Bank Ltd.
Maybank Singapore Limited

Catalist Sponsor
DBS Bank Ltd.
12 Marina Boulevard Level 46
Marina Bay Financial Centre Tower 3
Singapore 018982

Corporate Governance Report

Hyphens Pharma International Limited (the "**Company**" or "**Hyphens**") and its subsidiaries (the "**Group**") are committed to maintaining a high standard of corporate governance within the Group. The Company believes that good corporate governance is essential in preserving the interests of all stakeholders and strengthening investors' confidence in the Group thereby enhancing long-term shareholders' value.

This Report outlines the Company's corporate governance practices that were in place for the financial year ended 31 December 2018 ("**FY2018**") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"), which forms part of the continuing obligations of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"). The Board confirms that the Company has substantially complied with the principles and guidelines as set out in the Code. In areas where the Group has not complied with the Code, explanations have been provided.

With the issuance of the revised Code of Corporate Governance on 6 August 2018 ("**2018 Code**") which will take effect for annual reports covering financial years commencing from 1 January 2019, the Group will review and implement measures to comply with the 2018 Code, where appropriate.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The business and affairs of the Group are managed under the direction of the Board. Apart from its statutory duties and responsibilities, the key functions of the Board are to:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

- review management performance;

- identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;

- set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

- consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board of Directors is obliged to objectively discharge its duties and responsibilities at all times in the interest of the Company.

To assist the Board in executing its responsibilities, the Board is supported by the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). These Committees function within clear written terms of reference, which are reviewed on a regular basis, to ensure effectiveness of each Committee. Any changes to the terms of reference for any Board Committee require the approval of the Board.

Matters which are specifically reserved for the Board's approval include appointment and re-appointment of directors, material acquisitions and disposals of assets, financial restructuring, share issuances, dividends to shareholders, annual budget and capital expenditure beyond a prescribed amount as well as interested person transactions.

Corporate Governance Report

Formal board meetings are held at least once every quarter and ad-hoc meetings are convened when required. The Company's Constitution allows a board meeting to be conducted through electronic means such as telephone and video conferences. All Board and Board Committees' meetings for FY2018 have been scheduled well in advance in consultation with the directors to ensure maximum attendance. Ad-hoc meetings will be convened where circumstances require as such.

The number of meetings held by the Board and Board Committees and attendance thereat since the listing of the Company on 18 May 2018 to 31 December 2018 is disclosed below:

	Board Meetings		**Audit Committee Meetings**		**Nominating Committee Meetings**	
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Number of meetings attended						
Mr Lim See Wah	2	2	NA	NA	NA	NA
Mr Tan Chwee Choon	2	2	NA	NA	NA	NA
Dr Tan Kia King	2	2	NA	NA	1	1
Mr Heng Wee Koon	2	2	2	2	1	1
Mr Ng Eng Leng	2	2	2	2	NA	NA
Dr Poon Thong Yuen	2	1	2	1	1	1

Note*: There was no Remuneration Committee Meeting held during FY2018.*

All directors possess years of corporate experience and are familiar with their duties and responsibilities as directors. Newly appointed directors would receive a formal letter setting out the director's duties and obligations.

The Company will arrange orientation programs as well as meetings with senior management to familiarise new directors with the Group's business activities and directions of the Group. As and where appropriate, the Company will also arrange and fund regular trainings for all directors to ensure that directors are updated on the latest governance and listing rules. Relevant courses include seminars conducted by the Singapore Institute of Directors or other training institutes.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises six directors, of whom two are Executive Directors, one is a Non-Executive Director and three are Independent Directors. As such, the Company complies with the recommendation under the Code that independent directors should make up at least half of the Board where the Chairman of the Board ("**Chairman**") and the Chief Executive Officer ("**CEO**") is the same person.

As the 2018 Code requires independent directors to make up a majority of the Board where the Chairman is not independent, the Company will look into appointing an additional Independent Director in the future to further enhance the Board's independence.

The criteria for independence are defined in the Code and the independence of each of the directors is reviewed by the NC. In accordance with the Code, the Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

Corporate Governance Report

The current Board of Directors and Board Committees comprise:

Board Members		Audit Committee	Nominating Committee	Remuneration Committee
Mr Lim See Wah	Executive Chairman & CEO	–	–	–
Mr Tan Chwee Choon	Executive Director	–	–	–
Dr Tan Kia King	Non-Executive Director	–	Member	–
Mr Heng Wee Koon	Lead Independent Director	Chairman	Member	Member
Mr Ng Eng Leng	Independent Director	Member	–	Chairman
Dr Poon Thong Yuen	Independent Director	Member	Chairman	Member

The Board has examined its size to determine the impact of the number upon effectiveness, and is of the view that the current Board size of six directors is appropriate and facilitates effective decision-making, after taking into account the scope and nature of the operations of the Group.

In addition, the current Board comprises directors who as a group provide an appropriate balance and diversity of skills, including finance, legal, business and management experience as well as industry knowledge that are critical for the Group's business objectives. Key information regarding our directors, such as academic and professional qualifications, is set out in the Annual Report under "Board of Directors".

There is no Independent Director who has served beyond 9 years since the date of his first appointment.

The role of the non-executive directors is to review Management's performance, monitor the Group's performance and constructively challenge and help to develop proposals on strategy. Non-executive directors may meet privately without the presence of Management to review any matter as an appropriate check and balance on Management.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Lim See Wah is both the Chairman and CEO of the Company. The Board believes that there is no need for the role of Chairman and the CEO to be separated as there is a good balance of power with half the Board comprising independent directors and all Board Committees are chaired by independent directors.

In accordance with the Code, the Company has appointed a Lead Independent Director, Mr Heng Wee Koon, who would be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board has established a NC to make recommendations to the Board on all board appointments. The NC comprises three directors, the majority of whom, including the NC Chairman, are independent directors. The lead independent director is also a member of the NC.

The current NC comprises:

- Dr Poon Thong Yuen (Chairman);
- Mr Heng Wee Koon; and
- Dr Tan Kia King.

Corporate Governance Report

The duties and responsibilities of the NC, under its terms of reference, are as follows:

(a) recommending to the Board on the appointment of new directors and executive officers, including re-nominations of existing directors for re-election in accordance with the constitution of the Company, taking into account the director's contribution and performance;

(b) reviewing and approving any new employment of persons related to the directors and substantial shareholders and proposed terms of their employment;

(c) determining on an annual basis whether or not a director is independent;

(d) reviewing and deciding whether or not a director is able to and has been adequately carrying out his duties as director, having regard to the competing time commitments that are faced by the director when serving on multiple boards and discharging his duties towards other principal commitments;

(e) reviewing the training and professional development programs for the Board;

(f) reviewing succession plans for directors;

(g) reviewing the directors' mix of skills, experience, core competencies and knowledge of the Group that the Board requires to function competently and efficiently;

(h) determining and recommending to the Board the maximum number of listed company board representations which any director may hold and disclosing this in the Company's annual report; and

(i) developing a process for evaluation of the performance of the Board as a whole and its committees, and assessing the contribution of each director to the effectiveness of the Board.

The NC has in place a formal process for the selection, appointment and re-appointment of directors to the Board. In sourcing for new directors, the NC will tap on recommendations of the Company's sponsor and the directors' personal contacts for potential candidates, postings via Singapore Institute of Directors or engagement of executive recruitment consultants. In the selection process, the NC considers attributes such as balance and diversity of skills vis-à-vis existing Board members, industry knowledge, requirements of the Group and time commitment ability, etc. Background checks are also carried out on the shortlisted candidates. The NC meets with the shortlisted Board candidates to assess their suitability and availability before making recommendations to the Board for its consideration and approval.

According to the Company's Constitution, every director shall retire from office at least once every three years and for this purpose, at each Annual General Meeting ("**AGM**"), one-third of the directors shall retire from office by rotation. The retiring directors are eligible to offer themselves for re-election. The Company's Constitution further states that new directors appointed by the Board shall hold office until the next AGM and shall then be eligible for re-election. The NC had recommended to the Board that all the newly appointed directors, be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation. Each member of the NC shall abstain from voting on any resolutions in respect of his re-nomination as a director.

The NC determines annually, and as and when circumstances require, if a director is independent in accordance with the Guidelines stipulated in the Code. The NC also decide whether directors, who have multiple board representations, have sufficient time and attention given to the affairs of the Company.

The maximum number of listed company board representations which any director may hold is not more than five directorships.

Corporate Governance Report

Details of the Board members' directorships in other listed companies are disclosed as follows:

	Present directorships in other listed companies	Directorships held over the preceding three years in other listed companies
Mr Lim See Wah	Nil	Nil
Mr Tan Chwee Choon	Nil	Nil
Dr Tan Kia King	Nil	Nil
Mr Heng Wee Koon	Nil	Nil
Mr Ng Eng Leng	Ascendas Property Fund Trustee Pte. Ltd. (as trustee-manager of Ascendas India Trust)	Nil
Dr Poon Thong Yuen	Nil	Nil

Other key information regarding directors, such as academic and professional qualifications, is set out in the Annual Report under "Board of Directors".

The NC, having considered the attendance and participation of the following directors at Board and Board Committees meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr Lim See Wah who will be retiring pursuant to Regulation 97 of the Constitution of the Company at the forthcoming AGM. The NC had also recommended to the Board the re-election of the three Independent Directors who were appointed during the year, namely Mr Heng Wee Koon, Mr Ng Eng Leng and Dr Poon Thong Yuen who will be retiring pursuant to Regulation 103 at the forthcoming AGM.

If re-elected as a director of the Company:

a) Mr Lim See Wah will remain as the Executive Chairman and CEO of the Company;

b) Mr Heng Wee Koon will remain as the Lead Independent Director of the Company, the Chairman of the AC and a member of the NC and RC;

c) Mr Ng Eng Leng will remain as an Independent Director of the Company, the Chairman of the RC and a member of the AC; and

d) Dr Poon Thong Yuen will remain as an Independent Director of the Company, the Chairman of the NC and a member of the AC and the RC.

Mr Heng Wee Koon, Mr Ng Eng Leng and Dr Poon Thong Yuen will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

A formal assessment process is in place to assess the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.

The NC has adopted the performance evaluation forms recommended by the Singapore Institute of Directors. The evaluations are conducted annually. As part of the process, the directors will complete the evaluation forms which are collated by the Company Secretary, who will then summarise the results of the evaluation and present it to the NC. Recommendations for improvement will then be submitted to the Board for discussion and for implementation in areas where the performance and effectiveness could be enhanced.

Corporate Governance Report

Board Performance Criteria

The Board is evaluated based on the following four categories:

- Structure – Board's size, composition, independence and diversity.
- Strategy and performance – engaging and providing insightful inputs in the Company's long-term strategy.
- Governance and organisation – reviewing the risk management and internal controls of the Group.
- Board function and team dynamics – timely availability of information, board members interaction as a group and accountability of management.

Board Committee Performance Criteria

Each Board Committee is evaluated based on the following:

- Structure.
- Level of commitment (including frequency of meetings, attendance and preparation for meetings).
- Training and resources available to assist the Committee to assist the Committee in discharging its duties.
- Ability to fulfil its roles and responsibilities as set out in the Committee's terms of reference.
- Relationship with the Board and communication with shareholders.

Director Performance Criteria

Performance evaluation of individual directors is conducted annually through peer appraisal, together with the Board's evaluation. The performance criteria for assessing individual directors is based on the following:

- Board contribution – understanding and contributing to the Company's corporate objectives, strategic plans, key issues and mandates.
- Leadership – contributes to corporate leadership with professional character and integrity.
- Strategy and risk management – upholding effective governance of the Company.
- Communication skills – ability to communicate concerns and ideas clearly and balance arguments.
- Director's duties – attendance, preparation for meetings and keeping abreast with corporate and other regulatory developments.
- Knowledge – up-to-date knowledge and experience to discharge his role and responsibility.
- Interpersonal relationships – effective interactions with other directors, senior management and professional advisers.

The evaluation of the Board is to be performed annually by having all members complete Board and individual directors' evaluation questionnaires individually based on the above assessment parameters. As the Company was newly listed on 18 May 2018, the first evaluation of the Board and individual directors will be conducted in FY2019.

Corporate Governance Report

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are provided with board papers and related materials, background or explanatory information relating to matters to be brought before the Board, prior to each Board and Board Committee meetings to enable the Board to make informed decisions. The Board also has separate and independent access to Management and directors are entitled to request from Management additional information as and when required.

Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings, ensures board procedures are followed and records the minutes accordingly. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its board committees and between Management and non-executive directors, as well as advising the Board on all governance matters. The appointment and the removal of the Company Secretary is subject to the approval of the Board.

Directors, either individually or as a group, in the furtherance of their duties, may seek to obtain independent professional advice, as and when necessary, and at the Company's expense.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC is established to review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC reviews and recommends to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the Board. The RC covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.

The RC comprises three independent directors, namely:

- Mr Ng Eng Leng (Chairman);
- Mr Heng Wee Koon; and
- Dr Poon Thong Yuen.

The duties and responsibilities of the RC, under its terms of reference, are as follows:

(a) review and approve the Company's policy for determining executive remuneration including the remuneration of the chief executive officer, executive directors, and key management executives (the "**Senior Management Executives**");

(b) review the on-going appropriateness and relevance of the executive remuneration policy and other benefit programmes;

(c) consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each Senior Management Executive and any employee related to the directors, chief executive officer or substantial shareholders, if any (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts);

Corporate Governance Report

(d) consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to Senior Management Executives and employees related to the directors, chief executive officer or substantial shareholders, if any;

(e) obtain reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information. These will be at the expense of the Company, subject to the budgetary constraints imposed by the Board;

(f) review and approve the design of all option plans, stock plans and/or other equity based plans;

(g) for each equity based plan, determine whether awards will be made under that plan;

(h) review and approve each award as well as the total proposed awards under each plan in accordance to the rules governing each plan, including awards to directors and Senior Management Executives;

(i) review, approve and keep under review performance hurdles and/or fulfillment of performance hurdles for each equity based plan; and

(j) approve the remuneration framework (including directors' fees) for non-executive directors of the Company.

The RC can seek expert advice, where necessary, inside and/or outside the Company on remuneration of all directors, at the Company's expense. No remuneration consultants were engaged by the Company for FY2018.

No director is involved in deciding his own remuneration.

The Company has entered into service agreements (the "**Service Agreements**") dated 8 May 2018 with Mr Lim See Wah, Chairman and CEO, and Mr Tan Chwee Choon, Executive Director, respectively, taking effect from the date of admission of the Company to the Catalist Board of Singapore Exchange Securities Trading Limited on 18 May 2018. The parties may terminate the respective Service Agreement by giving the other party not less than six months' notice in writing and does not contain onerous termination clauses.

The termination clauses contained in the contracts of service for key management personnel are fair and reasonable and not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration policy of the Group is designed to attract, retain and motivate executive directors and key management personnel and at the same time link rewards to corporate and individual performance so as to align with the interest of shareholders and promote the long-term success of the Group.

Total remuneration package of executive directors and key management personnel comprises fixed cash component of salary and allowances, variable performance incentives and contributions to the Central Provident Fund. Variable performance incentives are tied to the performance of the Group or business unit and the individual's performance. The RC conducts annual review to ensure that the remuneration paid to executive directors and key management personnel is in line with industry norms and commensurate with the performance of each employee.

The Company also has in place long-term incentive schemes such as Hyphens Share Plan and Hyphens Share Option Scheme as set out in the Company's Offer Document dated 11 May 2018. Both schemes are administered by the Administration Committee, which is also the Remuneration Committee. Currently, no share awards or share options have been granted under the two schemes since their commencement.

Corporate Governance Report

The Group does not use contractual provisions to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company. The Group believes that such exceptional events could tantamount to breach of fiduciary duties of the executive directors and key management personnel, which would provide the Group with legal remedies.

Non-executive directors do not have any service agreements with the Company and receive directors' fees, in accordance with their level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Except for Non-Executive Director, Dr Tan Kia King, who receives a total fee of S$6,000 for acting as the Chief Representative of the representative offices of Hyphens Pharma Pte. Ltd. in Ho Chi Minh City and Hanoi in FY2018, the Independent Directors do not receive any other forms of remuneration from the Company. Executive Directors do not receive directors' fees. Directors' fees are recommended by the Board for approval by shareholders at the AGM.

The framework for non-executive directors' fees per annum is as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Chairman	–	S$10,000	S$5,000	S$5,000
Member	S$30,000	S$5,000	S$3,000	S$3,000

The Lead Independent Director is entitled to additional fee of S$5,000 per annum.

Principle 9: Disclosure of Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration bands of the directors of the Company for FY2018 are as follows:

Name of Directors	Fixed Salary (%)	Variable Bonus (%)	Directors' Fees (%)	Chief Representative Fees (%)	Total (%)
S$250,001 – S$500,000					
Mr Lim See Wah	82%	18%	–	–	100%
Mr Tan Chwee Choon	72%	28%	–	–	100%
Below S$250,000					
Dr Tan Kia King	–	–	85%	15%	100%
Mr Heng Wee Koon	–	–	100%	–	100%
Mr Ng Eng Leng	–	–	100%	–	100%
Dr Poon Thong Yuen	–	–	100%	–	100%

The Group only has four key management personnel (who are not directors or CEO). The remuneration bands of the key management personnel for FY2018 are as follows:

Name of Key Management Personnel	Fixed Salary (%)	Variable Bonus (%)	Total (%)
S$250,001 – S$500,000			
Mr John Leong	73%	27%	100%
Ms Fang Lee Wei	83%	17%	100%
Below S$250,000			
Mr David Lim	91%	9%	100%
Mr Jason Yeo	93%	7%	100%

Corporate Governance Report

The total remuneration paid to the above key management personnel for FY2018 was S$1,127,276.

The Company is of the view that full disclosure of the actual remuneration of each individual director, CEO and key management personnel is not in the interest of the Company due to the confidentiality and sensitivity of remuneration matters and that the disclosure in S$250,000 bands enables investors to understand the link between performance and remuneration paid to directors and key management personnel.

There are no termination, retirement or post-employment benefits granted to directors, CEO and key management personnel.

The Group does not have employees who are immediate family members of a director or CEO whose remuneration exceeds S$50,000 during FY2018.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In line with continuous disclosure obligations of the Company in accordance with the Catalist Rules, the Company announces financial information, major developments and other price sensitive information on the SGXNET in a timely manner to ensure investors are kept abreast of the Group's developments.

Furthermore, negative assurance statements were issued by the Board in its quarterly financial results announcement, confirming to the best of its knowledge, that nothing had come to their attention which would render the Company's and the Group's results to be false or misleading. All directors and executive officers of the Company have provided letters of undertaking (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules every quarter.

Management updates the Board on the Group's financial results, latest developments and future plans on a quarterly basis, or as and when required, to ensure that Board members are well informed to make a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is assisted by the AC to oversee the Group's risk management framework and policies. The Board recognises the importance to maintain a good system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. However, the Board is also mindful that internal controls can only provide reasonable and not absolute assurance to totally guard against human errors, poor judgement or fraud in a cost effective manner.

The Group has developed an enterprise risk management ("**ERM**") framework based on Principles and Guidelines of ISO: 31000:2009 and COSO ERM Integrated Framework. This included the development of a Risk Management Policy, risk organization structure including clear roles and responsibilities, and a Risk Management Process to facilitate the Group to continuously assess, manage report and monitor risks.

For FY2018, the Group has appointed Nexia TS Risk Advisory Pte Ltd ("**Nexia TS**") as internal auditors to evaluate and test the effectiveness of internal controls in selected areas that are in place in major operating companies in Singapore and representative offices in Vietnam. The internal audit review was conducted with a view to identify control gaps in the current business processes, ensure that operations were conducted within the policies and procedures laid down and identify areas for improvements, where controls can be strengthened.

Corporate Governance Report

In addition, the external auditors will also highlight internal control weaknesses which have come to their attention in the course of their statutory audit. All external and internal audit findings and recommendations were reported to the AC. There were no high risk weaknesses identified. Management will implement the recommendations from the auditors to further strengthen the Group's internal controls system.

The Board has received assurance from the CEO and the CFO that that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's risk management and internal control systems are effective.

Based on the foregoing, the Board, with the concurrence of the AC, is of the opinion that the internal controls, including financial, operational, compliance and information technology controls, and risk management systems of the Group were adequate and effective for FY2018.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three independent directors, namely:

- Mr Heng Wee Koon (Chairman);
- Mr Ng Eng Leng; and
- Dr Poon Thong Yuen.

The duties and responsibilities of the AC, under its terms of reference, are as follows:

(a) assist the Board in the discharge of its responsibilities on financial and reporting matters;

(b) review, with the Company's internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of the audits compiled by the internal and external auditors, and review at regular intervals with the management on the implementation by the Group of the internal control recommendations made by the internal and external auditors;

(c) review the periodic financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements, concerns and issues arising from their audits, including any matters which the auditors may wish to discuss in the absence of the management, where necessary, before submission to the Board for approval;

(d) review and report to the Board, at least annually, the effectiveness and adequacy of the Company's internal control and procedures, addressing financial, operational, information technology and compliance risks and discuss issues and concerns, if any, arising from the internal audits;

(e) review the independence and objectivity of the Company's internal and external auditors as well as consider the appointment or re-appointment of internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;

(f) review and discuss with the Company's internal and external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(g) review the Group's financial risk areas, with a view to providing an independent oversight of the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, to be immediately announced via SGXNET;

Corporate Governance Report

(h) review the cooperation given by management to the Company's internal and external auditors;

(i) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

(j) review any potential conflicts of interest and set out a framework to resolve or mitigate any potential conflict of interest;

(k) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(l) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(m) review and establish procedures for receipt, retention and treatment of complaints received by the Group, involving amongst others, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group and ensure that there are arrangements in place for independent investigation and follow-up action(s); and

(n) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has the authority to investigate any matters within its terms of reference, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC can seek professional advice, where necessary, and at the Company's expense.

Two of the AC members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience. Mr Heng Wee Koon, Chairman of the AC, is a CFA holder and used to be a partner and executive director of KPMG. Dr Poon Thong Yuen used to be the chief investment officer of a medtech company and he is currently CEO of Histoindex Pte. Ltd. None of the AC members are a former partner or director of the Company's existing auditing firm.

The AC has met the internal auditors, without the presence of management, in November 2018. It has also met the external auditors, without the presence of management, in February 2019.

The AC has reviewed the independence of the external auditors. Although the affiliated firms of the external auditors have provided a substantial volume of non-audit services to the Group, the AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors.

The fees for audit and non-audit services paid or payable to the Company's auditors, RSM Chio Lim LLP and its affiliated firms are as follows:

Audit fees	S$127,500	
Non-audit fees	S$387,969	(include one-time fees of S$155,170 relating to the Company's IPO and S$132,048 for IT services relating to the Group's relocation to the new integrated facility)

The Company has complied with Rules 712 and 715 of the Catalist Rules in the appointment of its external auditors and has recommended to the Board the re-appointment of RSM Chio Lim LLP as its external auditors at the forthcoming AGM.

The Group does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by employees in the course of their work and has in place a whistle blowing policy. Employees of the Group and any other persons are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting and other malpractices at the earliest opportunity to the AC Chairman, and the identity of the whistleblower would be treated with strict confidentiality. No whistle blowing reports were received in FY2018.

Corporate Governance Report

AC members have to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. This is done via regular updates and briefings provided by the external auditors to the AC as well as accounting standards update seminars conducted by various accounting firms or professional bodies.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Nexia TS to assist the Group in reviewing the design and effectiveness of key internal controls which address financial, operational, compliance and information technology risks and the Group's risk management policy and system as a whole. The AC reviews and approves the annual internal audit plan and the appointment and remuneration of the internal auditor. The internal auditor reports directly to the AC on audit matters and to the CEO on administrative matters.

Nexia TS has staffed the internal audit team with persons with the relevant qualifications and experience, and carries out its function according to International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC is of the opinion that the internal audit function is independent, effective and adequately resourced.

The Internal Auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Board is accountable to the shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholder's rights.

The Company announces financial information, major developments and other price sensitive information on SGXNET in a timely manner to ensure investors are kept abreast of the Group's developments.

Shareholders are encouraged to actively participate at the Company's general meetings. All shareholders of the Company receive the annual report, circulars and notices of all shareholders' meetings. The notices are advertised in the newspapers and made available on SGXNET. All shareholders are entitled to vote and the Company will conduct poll voting for all resolutions to be passed at general meetings.

If any shareholder is unable to attend, the shareholder is allowed to appoint up to two proxies to attend, speak and vote on his/her behalf at the general meeting through proxy form sent in advance, at least 72 hours before the time of the meeting. The Company's Constitution allows corporations which are considered "relevant intermediary" to appoint more than two proxies to attend, speak and vote at the general meeting.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Communication with shareholders are mainly made via SGXNET. This includes quarterly financial results announcements, public announcements on major developments and price-sensitive information and annual reports. Some of these documents are also made available on the Company's website (www.hyphensgroup.com).

As the Company is newly listed, it currently handles its investor relations matters internally. During the year, the Company has participated in SGX's Corporate Connect at InvestFair 2018 as well as group presentations or 1-to-1 meetings with broking houses and analysts.

Corporate Governance Report

The Company does not have a fixed dividend policy. The Board will take into account various factors, including but not limited to, earnings, cash flow requirements, plans for expansion, availability of distributable reserves, in determining the form, frequency and amount of dividends to recommend or declare in each particular year or period.

However, as set out in the Company's Offer Document, the Board intended to recommend and distribute dividends of at least 30% of the Group's net profits attributable to shareholders for each of FY2018 and FY2019. As such, the Board has recommended a final one-tier tax exempt dividend of 0.55 Singapore cents per share, which represents a dividend payout of 30.5% of the Group's FY2018 net profits for shareholders' approval at the forthcoming AGM.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to actively participate at the Company's general meetings. If any shareholder is unable to attend, the Company's Constitution allows the shareholder to appoint proxies to attend, speak and vote on his/her behalf at the general meeting.

To facilitate and encourage such participation, directors are present and available to address shareholders' queries at the forthcoming AGM.

The external auditors would also be present to address any shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Minutes of meetings will be available to shareholders upon their written request.

The Company ensures that there are separate resolutions at general meetings on each substantially separate issue. For greater transparency, the Company will put all resolutions to vote by poll and make an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be presented and announced on the same day.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in the Company's Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted an internal code of best practices on securities transactions by the Company and its officers. All directors and officers of the Group are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Group's quarterly financial results and one month before the announcement of the Group's full-year results. Officers should also not deal in the Company's securities on short term considerations and the law of insider trading has to be observed and complied with at all times when officers are in possession of unpublished price sensitive information. Directors and CEO of the Company are required to notify the Company of their dealings in the Company's securities within two business days. Reminders are sent via email to all directors and key employees.

Interested Person Transactions

There was no interested person transaction ("**IPT**") which was more than S$100,000 entered into during FY2018.

The AC reviews all IPT transactions, if any, at its quarterly meetings to ensure that all transactions are carried out on arm's length basis and on normal commercial terms that will not be prejudicial to the interests of the Company or to its minority shareholders.

The Group does not have a general mandate for recurrent IPT.

Corporate Governance Report

Material Contracts

Save for the Service Agreements between the Company and the Executive Directors, there were no material contracts of the Company or its subsidiaries involving the interest of the CEO, any director or controlling shareholder during FY2018.

Use of IPO Proceeds

As at the date of this Annual Report, the use of IPO 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	3,000	–
General corporate and working capital purposes	3,552	544	3,008
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	–
Gross proceeds from the Invitation	15,600	5,592	10,008

Non-Sponsor Fees

The continuing sponsor of the Company is DBS Bank Ltd. (the "**Sponsor**"). In FY2018, non-sponsor fees of S$812,600 were paid to the Sponsor for acting as the Issue Manager, Underwriter and Placement Agent for the Company's IPO.

FINANCIAL STATEMENTS

Statement by Directors

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the Company in office at the date of this statement are:

Lim See Wah	
Tan Chwee Choon	
Tan Kia King	
Heng Wee Koon	(appointed on 23 April 2018)
Ng Eng Leng	(appointed on 23 April 2018)
Poon Thong Yuen	(appointed on 23 April 2018)

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in the shares or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

	Direct interest		Deemed interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
	Number of shares of no par value			
The Company				
Lim See Wah	–	–	4,088	196,214,640
Tan Kia King	–	–	4,088	196,214,640
Tan Chwee Choon	912	43,785,360	–	–
Inomed Holdings Pte Ltd (Ultimate parent company)				
Lim See Wah	78,445	78,445	–	–
Tan Kia King	50,000	50,000	–	–

By virtue of section 7 of the Act, Mr Lim See Wah and Dr Tan Kia King are deemed to have an interest in the Company and all the related body corporates of the Company.

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

Statement by Directors

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

5. Share-based incentive plan

At a shareholder meeting held on 20 April 2018, the shareholders of the Company approved the "Hyphens Share Plan" and the "Hyphens Share Option Scheme" (collectively the "Share-based Incentive Plans").

The Share-based Incentive Plans provide eligible participants with an opportunity to participate in the equity of the Company thereby inculcating a stronger sense of identification with long-term prosperity and promoting organisational commitment, dedication and loyalty of participants towards the Group, as well as motivating participants to strive towards performance excellence and to maintain a high level of contribution to the Group. The Share-based Incentive Plans also afford the Group greater flexibility in structuring compensation packages so that it is able to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

Under the Hyphens Share Plan, a participant may be granted awards of shares. The eligibility of the participants, the number of shares which are the subject of each award to be granted to a participant and the vesting period shall be determined at the absolute discretion of the Administration Committee, taking into account factors including the Group's financial performance and a participant's rank, job performance, potential for future development and contribution to the success and development of the Group.

Under the Hyphens Share Option Scheme, a participant may be granted options. Each option represents a right of the participant to receive fully-paid shares upon payment of the option exercise price within the option exercise period. The option exercise price and option exercise period shall be determined by the Administration Committee in its absolute discretion. Participants will only be rewarded in the event that the market value of a share is greater than the option exercise price, thereby motivating participants toward improving the market value of the shares.

Executive and non-executive directors (including independent directors) and full-time employees of the Group are eligible to participate in the Hyphens Share Option Scheme. In cases whereby eligible participants who are also controlling shareholders or associates of the controlling shareholders, the participation of and the terms of each grant and the actual number of options granted under the Hyphens Share Option Scheme shall be approved by independent shareholders in a separate resolution for each such person, with such separate resolution including approval for the actual number and terms of options to be granted to that person.

The total number of shares which may be issued and/or transferred pursuant to the Share-based Incentive Plans shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) on the day preceding the date of the relevant grant.

The Share-based Incentive Plans shall be administered by the Administration Committee in its absolute discretion with such powers and duties as are conferred on it by the board of directors, provided that no member of the Administration Committee shall participate in any deliberation or decision in respect of shares/options to be granted to him/her or held by him/her. The Administration Committee consists of members of the Remuneration Committee of the Company, or such other committee comprising directors appointed by board of directors to administer the Share-based Incentive Plans.

Statement by Directors

5. Share-based incentive plan (cont'd)

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of audit committee

The members of the Audit Committee ("AC") at the date of this report are as follows:

Heng Wee Koon (Chairman)
Ng Eng Leng
Poon Thong Yuen

All members of the AC are independent directors.

The AC performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Catalist Rules).

Other functions performed by the AC are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The AC has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the Company.

Statement by Directors

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the Audit Committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 28 February 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

Lim See Wah
Director

Tan Chwee Choon
Director

27 March 2019

Independent Auditor's Report

To The Members of Hyphens Pharma International Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hyphens Pharma International Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) *Impairment of trade receivables*

Refer to Note 2A “Financial Instruments” and Note 2C “Allowance of trade receivables” for the relevant accounting policies and discussion of significant accounting estimates, and Notes 18 and 27D for the breakdown of trade receivables and credit risk of the Group respectively.

Key audit matter

The carrying amount of trade receivables amounted to $28,090,000 which accounted for approximately 37% of the Group's total assets as at the reporting year end.

The estimate of impairment allowance is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability. Besides that, management used available financial information and market or press information to assess the credit risk of the major customers.

The gross amount of trade receivables past due over 90 days amounted to $1,435,000. Allowance for impairment of trade receivables remained at $281,000. Management is of the view that the remaining amounts are recoverable, based on their knowledge of the customers' payment history and credit worthiness.

Independent Auditor's Report

To The Members of Hyphens Pharma International Limited

Key audit matters (cont'd)

(a) *Impairment of trade receivables (cont'd)*

Management has analysed the historical observed default rates and there was no significant bad debts noted in the previous years. As such, management is of the view that no allowance matrix is deemed necessary and it is more appropriate for specific provisioning to be utilised.

How we addressed the matter in our audit

We have evaluated management's judgement on the recoverability of these amounts via our review of the customers' credit worthiness, payment history and management's assessment of expected credit losses. We have also reviewed management's process over the recoverability of outstanding trade receivables, which included the review of payments made by the customers subsequent to the reporting year end.

We reviewed management's assessment of the historical observed default rate of the last 36 months and there was no significant default on payment obligations by the customers.

We found management's approach to be balanced and the estimates to be reasonable.

We have also assessed the adequacy of the disclosures made in the financial statements.

(b) *Assessment of impairment of goodwill*

Please refer to Note 2A "Goodwill", "Impairment of non-financial assets", and Note 2C "Assessment of impairment of goodwill" for relevant accounting policies and discussion of significant accounting estimates, and Note 15A "Goodwill" for the key assumptions used in impairment testing of goodwill.

Key audit matter

The carrying value of goodwill amounted to $4,851,000. The goodwill arose from the acquisition of subsidiaries. The amounts are allocated to certain cash generating units ("CGUs") as at 31 December 2018. These CGUs are assessed for impairment annually. Management applies the value-in-use method to determine the recoverable amount of goodwill. The value-in-use calculation requires the Group to estimate the future cash flows arising from the CGU and a suitable discount rate in order to calculate present value of the recoverable amount of each CGUs. Any shortfall of the recoverable amounts against the carrying amounts would be recognised as impairment losses.

Management determined the recoverable amounts based on the forecasted revenue, growth rates, profit margins, tax rates and discount rates using presently available information. These estimates require judgement and the determination of the recoverable amounts is a key focus area for our audit.

How we addressed the matter in our audit

We discussed with management the process over the determination of the forecasted revenues, growth rates, profit margins, tax rates and discount rates. As the assessment process is judgmental and is based on assumptions that are affected by expected future market or economic conditions, our audit procedures included, among others, using our in-house valuation specialists to assist us in evaluating the assumptions and methodologies used by management.

We assessed management's estimates applied in the value-in-use models based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance and industry benchmarks. Our in-house valuation specialists also performed a review of the management's methodology, expectations and the discount rate used in the impairment assessment and tested the accuracy of the computations.

We also assessed the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Independent Auditor's Report

To The Members of Hyphens Pharma International Limited

Key audit matters (cont'd)

(c) *Revenue recognition and consignment arrangements*

Please refer to Note 2A "Revenue" and Note 2C "Revenue recognition" for relevant accounting policies, and Note 4G "Information about major customers" and Note 5 "Revenue".

Key audit matter

The Group has distribution agreements with various distributors. Management has reviewed the Group's distribution agreements and arrangements with the distributors and concluded that revenue should be recognised upon delivery unless specified under consignment arrangements. Revenue is recognised at the point in time when control has been passed to the distributors. The distributors are considered as a principal and not an agent because the distributors are independent operating parties that bear both the credit risk of their customers and inventory risk of the purchased goods.

How we addressed the matter in our audit

We reviewed management's assessment on the five steps approach to revenue recognition and factors that management considered in determining that control has passed to the distributors and accordingly, the point which revenue should be recognised.

We also sent and received confirmations from the distributors confirming the outstanding trade receivables balances and/or the list and quantity of the consigned inventories as at the reporting year end.

Other information

Management is responsible for the other information. The other information comprises the statement by directors and the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

To The Members of Hyphens Pharma International Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

To The Members of Hyphens Pharma International Limited

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Hui Jun, Sabrina.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2019

Engagement partner – effective from the year ended 31 December 2017.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	Group 2018 $'000	Group 2017 $'000
Revenue	5	120,930	112,652
Cost of sales		(80,125)	(75,684)
Gross profit		40,805	36,968
Other income and gains	6	279	268
Distribution costs	7	(21,736)	(20,402)
Administrative expenses	9	(10,422)	(8,472)
Finance costs	10	(129)	(206)
Other losses	6	(1,797)	(996)
Profit before tax from continuing operations		7,000	7,160
Income tax expense	11	(1,590)	(1,072)
Profit, net of tax		5,410	6,088
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		67	129
Other comprehensive income for the year, net of tax		67	129
Total comprehensive income		5,477	6,217

		Cents	Cents
Earnings per share			
Earnings per share currency unit			
Basic and Diluted			
Continuing operations	12	1.95	2.54

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2018

	Notes	Group		Company
		2018	2017	2018
		$'000	$'000	$'000
ASSETS				
Non-current assets				
Plant and equipment	14	3,464	630	197
Intangible assets	15	7,764	9,105	–
Investment in subsidiaries	16	–	–	19,220
Deferred tax assets	11	210	315	–
Total non-current assets		11,438	10,050	19,417
Current assets				
Inventories	17	10,863	13,178	–
Trade and other receivables	18	29,833	23,775	6,759
Prepayments		492	245	41
Cash and cash equivalents	19	22,353	12,293	10,980
Total current assets		63,541	49,491	17,780
Total assets		74,979	59,541	37,197
EQUITY AND LIABILITIES				
Equity				
Share capital	20	32,555	1,521	32,555
Retained earnings		21,587	17,191	3,768
Other reserves	21	(14,980)	118	–
Total equity		39,162	18,830	36,323
Non-current liabilities				
Deferred tax liabilities	11	502	560	–
Other financial liabilities, non-current	24	–	1,588	–
Total non-current liabilities		502	2,148	–
Current liabilities				
Income tax payable		1,480	1,092	8
Trade and other payables	23	30,835	35,101	866
Other financial liabilities, current	24	3,000	2,370	–
Total current liabilities		35,315	38,563	874
Total liabilities		35,817	40,711	874
Total equity and liabilities		74,979	59,541	37,197

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

Year ended 31 December 2018

	Total equity $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000
Group				
Current year:				
Opening balance at 1 January 2018	18,830	1,521	17,191	118
Changes in equity:				
Total comprehensive income for the year	5,477	–	5,410	67
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)	(1,014)	(15,165)
Issuance of new shares pursuant to incorporation and initial public offering ("IPO")	15,605	15,605	–	–
Capitalisation of IPO expenses pursuant to issuance of new shares	(750)	(750)	–	–
Closing balance at 31 December 2018	39,162	32,555	21,587	(14,980)
Previous year:				
Opening balance at 1 January 2017	19,613	1,521	18,103	(11)
Changes in equity:				
Total comprehensive income for the year	6,217	–	6,088	129
Dividends paid (Note 13)	(7,000)	–	(7,000)	–
Closing balance at 31 December 2017	18,830	1,521	17,191	118

	Total equity $'000	Share capital $'000	Retained earnings $'000
Company			
Current year:			
Opening balance at date of incorporation 12 December 2017	–	–	–
Changes in equity:			
Issuance of new shares at incorporation	5	5	–
Total comprehensive income for the year	2,248	–	2,248
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)	–
Closing balance at 31 December 2018	36,323	32,555	3,768

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Group	
	2018	**2017**
	$'000	**$'000**
Cash flows from operating activities		
Profit before tax	7,000	7,160
Adjustments for:		
Amortisation of intangible assets	392	406
Depreciation of plant and equipment	439	341
Interest income	(54)	(9)
Interest expense	129	206
Loss on disposal of plant and equipment	60	2
Impairment loss on goodwill	993	–
Expenses in connection with IPO	920	310
Net effect of exchange rate changes in consolidating foreign operations	68	135
Operating cash flows before changes in working capital	9,947	8,551
Trade and other receivables	(6,058)	(3,606)
Prepayments	(247)	2
Inventories	2,315	(4,143)
Trade and other payables	2,734	4,497
Net cash flows from operations	8,691	5,301
Income taxes paid	(1,155)	(683)
Net cash flows from operating activities	7,536	4,618
Cash flows from investing activities		
Purchase of plant and equipment	(3,334)	(130)
Purchase of intangible assets	(44)	(41)
Interest received	54	9
Net cash flows used in investing activities	(3,324)	(162)
Cash flows from financing activities		
Gross proceeds from issuance of new shares pursuant to incorporation and IPO	15,605	–
IPO expenses paid	(1,670)	(310)
Dividends paid to equity owners	(7,000)	(1,000)
Interest paid	(129)	(206)
Repayment of borrowings	(4,383)	(4,092)
Proceeds from borrowings	3,425	822
Net cash flows from (used in) financing activities	5,848	(4,786)
Net increase (decrease) in cash and cash equivalents	10,060	(330)
Cash and cash equivalents, statements of cash flows, beginning balance	12,293	12,623
Cash and cash equivalents, statement of cash flows, ending balance (Note 19)	22,353	12,293

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2018

1. General

Hyphens Pharma International Pte Ltd (the "Company") was incorporated on 12 December 2017 under the Companies Act as a private limited company domiciled in Singapore. On 20 April 2018, the Company was converted to a public limited company and changed its name to Hyphens Pharma International Limited. On 18 May 2018, the Company was listed on the Catalist Board (the "Catalist") of Singapore Exchange Securities Trading Limited.

The financial statements are presented in Singapore dollars and they cover the Company (referred to as "parent") and the subsidiaries. All financial information have been rounded to the nearest thousand ("000"), except when otherwise stated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The Company's principal activities are those of an investment holding company and the provision of management services.

The principal activities of the subsidiaries are described in Note 16.

The registered office is: 16 Tai Seng Street, Level 4, 534138, Singapore.

Restructuring Exercise

The Group undertook the following transactions as part of a corporate restructuring implemented in preparation for its listing on the Catalist (the "Restructuring Exercise"):

(i) The Company was incorporated on 12 December 2017 in Singapore under the Companies Act as a private company limited by shares with an issued and paid-up share capital of $5,000 comprising 5,000 shares, with 4,088 shares and 912 shares being held by Inomed Holding Pte Ltd and Mr Tan Chwee Choon respectively;

(ii) On 19 April 2018, the Company acquired from Hyphens Pharma Pte. Ltd. the entire issued and paid-up share capital of Pan-Malayan Pharmaceuticals Pte Ltd for a consideration of $1,013,780, which was based on the cost of investment of Pan-Malayan Pharmaceuticals Pte Ltd as of 31 December 2017. The consideration was satisfied by the issuance of 46,593 shares and 10,397 shares to Inomed Holding Pte Ltd and Mr Tan Chwee Choon, respectively; and

(iii) On 19 April 2018, the Company acquired from Inomed Holding Pte Ltd and Mr Tan Chwee Choon the entire issued and paid-up share capital of Hyphens Pharma Pte. Ltd. for a consideration of $16,686,145, which was based on the unaudited pro forma net asset value of Hyphens Pharma Pte. Ltd. as of 31 December 2017 less the net asset value Pan-Malayan Pharmaceuticals Pte Ltd. The consideration was satisfied by the issuance of 766,880 shares and 171,130 shares to Inomed Holding Pte Ltd and Mr Tan Chwee Choon, respectively.

Following the completion of the Restructuring Exercise, the Company became the parent company of the Group.

On 20 April 2018, 1,000,000 shares in the capital of the Company were sub-divided into 240,000,000 shares (the "Share Split").

Prior to the Restructuring and until 19 April 2018, Hyphens Pharma Pte. Ltd. and its subsidiaries were controlled by the same shareholders.

Notes to the Financial Statements

31 December 2018

1. General (cont'd)

Restructuring Exercise (cont'd)

The Restructuring is, therefore, considered to be a business combination involving entities or businesses under common control and is accounted for by applying the pooling of interest method. Accordingly, the assets and liabilities of these entities transferred have been included in the consolidated financial statements at their carrying amounts. Although the Restructuring Exercise occurred subsequent to the end of the reporting year ended 31 December 2017, the consolidated financial statements present the financial position and financial performance as if the businesses had always been combined since the beginning of the earliest period presented.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

Notes to the Financial Statements

31 December 2018

1. General (cont'd)

Basis of presentation (cont'd)

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

For the reporting year ended 31 December 2017, the consolidated financial statements of the Group have been prepared using the pooling of interest method as the Restructuring Exercise described in Note 1 is a legal restructuring of businesses or entities under common control. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the end of the reporting period. The Company has been treated as the parent company of its subsidiaries for the reporting years presented rather than from the date of completion of the Restructuring Exercise.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient, the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services – Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Other income

Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is deducted in calculating the carrying amount of the asset and therefore the grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Plant and equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment	-	20% to 33.3%
Hardware and software	-	20% to 33.3%
Fixtures and equipment	-	10% to 20%
Motor vehicles	-	20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Plant and equipment (cont'd)

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Distribution rights and trademarks - 7 years to 10 years

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combination

Business combinations not involving common control are accounted for by applying the acquisition method.

There was no business combination during the year.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the financial period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Notes to the Financial Statements

31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Allowance for trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 18 on trade and other receivables.

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note 17 on inventories.

Assessment of impairment of goodwill:

An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units and the use of estimates as disclosed in the Note 15 on intangible assets. Actual outcomes could vary from these estimates.

Revenue recognition:

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

Determination of functional currency:

Judgement is required to determine the functional currency of the reporting entity. Management considers economic environment in which the reporting entity operates and factors such as the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services. It also considers other relevant factors that may also provide evidence of an entity's functional currency.

Notes to the Financial Statements

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3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a Group:

Name	Relationship	Country of incorporation
Inomed Holding Pte Ltd	Ultimate parent company	Singapore

Related companies in these financial statements refer to members of the ultimate parent company's group of companies.

The ultimate controlling parties are Mr Lim See Wah and Dr Tan Kia King, directors of the Company.

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these financial statements are not disclosed as related party transactions and balances below.

3C. Key management compensation:

	Group	
	2018	2017
	$'000	$'000
Salaries and other short-term employee benefits	2,196	2,080

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2018	2017
	$'000	$'000
Remuneration of directors of the Company	902	949
Fees to directors of the Company	167	50

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Notes to the Financial Statements

31 December 2018

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Subsidiaries	
	2018	**2017**
	$'000	**$'000**
Company		
Other receivables:		
Balance at beginning of the year	–	–
Amounts paid out and settlement of liabilities on behalf of subsidiaries	3,000	–
Amounts paid in and settlement of liabilities on behalf of the Company	(223)	–
Dividend income	3,500	–
Balance at end of the year – net debit	6,277	–
Presented in the statement of financial position as follows:		
Other receivables (Note 18)	6,500	–
Other payables (Note 23)	(223)	–
Balance at end of the year – net debit	6,277	–

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services:

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

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

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

Notes to the Financial Statements

31 December 2018

4. Financial information by operating segments (cont'd)

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary financial performance measurement to evaluate segment's operating results is earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

The information on each product and service or each group of similar products and services is below and in Note 5.

Notes to the Financial Statements

31 December 2018

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment										
Total revenue by segment	69,409	60,707	13,167	12,381	38,354	39,564	–	–	120,930	112,652
Total revenue	69,409	60,707	13,167	12,381	38,354	39,564	–	–	120,930	112,652
Recurring EBITDA	7,197	5,157	925	1,392	1,921	1,874	(1,090)	(310)	8,953	8,113
Finance costs	–	–	–	–	–	–	(129)	(206)	(129)	(206)
Impairment of goodwill	–	–	(993)	–	–	–	–	–	(993)	–
Depreciation and amortisation	(30)	(40)	(362)	(366)	–	–	(439)	(341)	(831)	(747)
Profit (Loss) before tax	7,167	5,117	(430)	1,026	1,921	1,874	(1,658)	(857)	7,000	7,160
Income tax expense									(1,590)	(1,072)
Profit, net of tax									5,410	6,088

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

Notes to the Financial Statements

31 December 2018

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total assets for reportable segments	24,219	22,013	12,723	13,756	9,985	9,896	–	–	46,927	45,665
Unallocated:										
Plant and equipment	–	–	–	–	–	–	3,464	630	3,464	630
Prepayments	–	–	–	–	–	–	492	245	492	245
Cash and cash equivalents	–	–	–	–	–	–	22,353	12,293	22,353	12,293
Other receivables	–	–	–	–	–	–	1,743	708	1,743	708
Total Group assets	24,219	22,013	12,723	13,756	9,985	9,896	28,052	13,876	74,979	59,541

4D. Liabilities and reconciliation

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total liabilities for reportable segments	18,200	17,767	3,063	1,771	8,962	8,161	–	–	30,225	27,699
Unallocated:										
Income tax payable	–	–	–	–	–	–	1,480	1,092	1,480	1,092
Financial liabilities	–	–	–	–	–	–	3,000	3,958	3,000	3,958
Trade and other payables	–	–	–	–	–	–	1,112	7,962	1,112	7,962
Total Group liabilities	18,200	17,767	3,063	1,771	8,962	8,161	5,592	13,012	35,817	40,711

Notes to the Financial Statements

31 December 2018

4. Financial information by operating segments (cont'd)

4E. Other material items and reconciliation

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impairment of trade receivables and inventories (reversal)	397	(44)	89	296	24	150	–	–	510	402
Expenditures for non-current assets	–	16	44	25	–	–	3,334	130	3,378	171

Notes to the Financial Statements

31 December 2018

4. Financial Information by operating segments (cont'd)

4F. Geographical information

	Revenue		Non-current assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore	53,861	54,770	11,143	9,604
Vietnam	52,717	46,859	17	23
Malaysia	7,677	5,290	24	38
Others	6,675	5,733	44	70
Total	120,930	112,652	11,228	9,735

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4G. Information about major customers

	Group	
	2018	2017
	$'000	$'000
Top 1 customer in specialty and proprietary segments	24,778	18,270
Top 2 customers in specialty and proprietary segments	40,616	34,238
Top 3 customers in specialty and proprietary segments (2017: specialty, proprietary and hypermart segments)	51,529	45,478

5. Revenue

	Group	
	2018	2017
	$'000	$'000
Sale of goods	120,128	111,616
Commission income	354	467
Marketing services fees and advertisement	383	329
Other revenue	65	240
Total revenue	120,930	112,652

The revenue from sale of goods and rendering of services is recognised based on point in time and all the contracts with customers are less than 12 months. Main customers are retailers and distributors.

Notes to the Financial Statements

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6. Other income and gains and (other losses)

	Group	
	2018	2017
	$'000	$'000
Foreign exchange adjustments losses	(234)	(548)
Allowance for inventory obsolescence	(397)	(267)
Inventories written off	(111)	(179)
(Allowance) reversal of allowance for impairment on trade receivables	(1)	44
Bad debts written off	(1)	–
Impairment allowance on intangibles – goodwill	(993)	–
Interest income	54	9
Government grant	225	215
Loss on disposal of plant and equipment	(60)	(2)
Net	(1,518)	(728)
Presented in profit or loss as:		
Other income and gains	279	268
Other losses	(1,797)	(996)
Net	(1,518)	(728)

7. Distribution costs

The major components and other selected components include the following:

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (Note 8)	10,283	12,218
Advertising and promotional expenses	5,653	5,085

8. Employee benefits expense

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits expense	13,403	14,875
Contributions to defined contribution plans	1,473	1,566
Other benefits	262	565
Total employee benefits expense	15,138	17,006
Employee benefits expense is charged to profit or loss and included in:		
- Distribution costs (Note 7)	10,283	12,218
- Administrative expenses (Note 9)	4,572	4,504
- Cost of sales	283	284
Total employee benefits expense	15,138	17,006

Notes to the Financial Statements

31 December 2018

9. Administrative expenses

The major components and other selected components include the following:

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (Note 8)	4,572	4,504
Rental expense (Note 25)	1,410	1,093
Expenses in connection with IPO	920	310
Research and development expense	615	174

10. Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expense	129	206

11. Income tax

11A. Components of tax expense recognised in profit or loss:

	Group	
	2018	2017
	$'000	$'000
Current tax expense:		
Current tax expense	1,469	1,068
Under (over) adjustment in respect of prior periods	74	(37)
Sub-total	1,543	1,031
Deferred tax expense:		
Deferred tax expense	47	41
Sub-total	47	41
Total income tax expense	1,590	1,072

Notes to the Financial Statements

31 December 2018

11. Income tax (cont'd)

11A. Components of tax expense recognised in profit or loss (cont'd):

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the parent is situated. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018	**2017**
	$'000	**$'000**
Profit before tax	7,000	7,160
Income tax expense at the above rate	1,190	1,217
Effect of different tax rates in different countries	64	(22)
Expenses not deductible for tax purposes	472	87
Effect of partial tax exemption and tax relief	(208)	(198)
Under (over) adjustment of prior periods	74	(37)
Other minor items less than 3% each	(2)	25
Total income tax expense	1,590	1,072

There are no income tax consequences of dividends to owners of the Company.

11B. Deferred tax income recognised in profit or loss includes:

	Group	
	2018	**2017**
	$'000	**$'000**
Mergers and acquisitions allowance carryforwards	105	105
Difference in amortisation of intangible assets	(60)	(59)
Excess of book value of plant and equipment over tax values	2	(5)
Total deferred tax expense	47	41

11C. Deferred tax balance in statement of financial position:

	Group	
	2018	**2017**
	$'000	**$'000**
From deferred tax assets (liabilities) recognised in profit or loss:		
Mergers and acquisitions allowance carryforwards	210	315
Fair value of intangible assets[a]	(454)	(514)
Excess of book value of plant and equipment over tax values	(48)	(46)
Net balance	(292)	(245)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(502)	(560)
Deferred tax assets	210	315
Net balance	(292)	(245)

(a) The balance arose from acquisition of subsidiaries.

Notes to the Financial Statements

31 December 2018

11. Income tax (cont'd)

11C. Deferred tax balance in statement of financial position (cont'd):

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

12. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2018	2017
	$'000	$'000
Numerators: profit attributable to equity:		
Continuing operations: attributable to equity holders	5,410	6,088
	'000	'000
Denominators: weighted average number of ordinary shares:		
Pre-invitation share capital	240,000	240,000 [(a)]
Effect of shares issued on 18 May 2018	37,315	–
At 31 December 2018	277,315	240,000
Basic and diluted earnings per share		
Continuing operations	1.95	2.54

(a) For comparative purpose, the earnings per share for 2017 have been computed based on the profit attributable to equity holders of the Company and pre-invitation share capital of 240,000,000 shares. The pre-invitation number of ordinary shares reflects the weighted average number of shares as at 31 December 2017 adjusted for (i) the shares issued pursuant to the Restructuring Exercise as described in Note 1, and Share Split as described in Notes 1 and 20, on the basis that the shares transfer and split had been completed as at 1 January 2017.

For illustrative purposes only, the Company's number of ordinary shares in issue immediately after the Restructuring Exercise as described in Note 1 together with the issuance of 60,000,000 new shares pursuant to the IPO was 300,000,000. Had the 300,000,000 shares been used to calculate basic and diluted earnings per share for the reporting years ended 31 December 2018 and 2017:

	Group	
	2018	2017
	$'000	$'000
Numerators: profit attributable to equity:		
Continuing operations: attributable to equity holders	5,410	6,088
	'000	'000
Denominators: ordinary number of ordinary shares	300,000	300,000
Basic and diluted earnings per share Continuing operations	1.80	2.03

Diluted earnings per share are the same as earnings per share as there are no potential dilutive ordinary share equivalents outstanding during the reporting years.

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13. Dividends on equity shares

	2018 $'000	2017 $'000
Interim exempt (1-tier) dividends paid of $Nil per share (2017: $5.46)	–	7,000
	–	7,000

The directors have proposed that a final dividend of 0.55 cents per share with a total of $1,650,000 be paid to shareholders after the annual general meeting to be held on 26 April 2019. There are no income tax consequences on the reporting entity. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

14. Plant and equipment

Group	Plant and equipment $'000	Hardware and software $'000	Fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Cost:					
At 1 January 2017	53	968	1,433	157	2,611
Additions	1	70	59	–	130
Disposals	–	(161)	(236)	–	(397)
Foreign exchange adjustments	–	–	–	(11)	(11)
At 31 December 2017	54	877	1,256	146	2,333
Additions	43	208	3,083	–	3,334
Disposals	–	(96)	(831)	–	(927)
Foreign exchange adjustments	–	–	–	(5)	(5)
At 31 December 2018	97	989	3,508	141	4,735
Accumulated depreciation:					
At 1 January 2017	11	624	1,056	71	1,762
Depreciation for the year	11	127	173	30	341
Disposals	–	(160)	(235)	–	(395)
Foreign exchange adjustments	–	–	–	(5)	(5)
At 31 December 2017	22	591	994	96	1,703
Depreciation for the year	11	146	258	24	439
Disposals	–	(95)	(772)	–	(867)
Foreign exchange adjustments	–	–	(1)	(3)	(4)
At 31 December 2018	33	642	479	117	1,271
Carrying value:					
At 1 January 2017	42	344	377	86	849
At 31 December 2017	32	286	262	50	630
At 31 December 2018	64	347	3,029	24	3,464

Notes to the Financial Statements

31 December 2018

14. Plant and equipment (cont'd)

Company	**Fixtures and equipment $'000**
Cost:	
At date of incorporation 12 December 2017	–
Additions	207
At 31 December 2018	207
Accumulated depreciation:	
At date of incorporation 12 December 2017	–
Depreciation for the year	10
At 31 December 2018	10
Carrying value:	
At date of incorporation 12 December 2017	–
At 31 December 2018	197

The depreciation expense for the Group and Company is charged to profit or loss under administrative expenses.

15. Intangible assets

	Group	
	2018 $'000	**2017 $'000**
Goodwill (Note 15A)	4,851	5,844
Distribution rights and trademarks (Note 15B)	2,913	3,261
	7,764	9,105

15A. Goodwill

	Group	
	2018 $'000	**2017 $'000**
Cost:		
Balance at beginning and end of the year	5,844	5,844
Accumulated impairment:		
Balance at beginning of the year	–	–
Impairment loss recognised in the year included in other losses	993	–
At end of the year	993	–
Carrying value at end of the year	4,851	5,844

Notes to the Financial Statements

31 December 2018

15. Intangible assets (cont'd)

15A. Goodwill (cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating unit represents the Group's investment by each subsidiary as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Name of subsidiary:		
Pan-Malayan Pharmaceuticals Pte Ltd [(a)]	80	80
Ocean Health Pte Ltd [(b)]	4,771	5,764
Carrying value at end of the year	4,851	5,844

(a) The goodwill relates to the purchase of the pharmaceuticals business of Pan-Malayan Pharmaceuticals Pte Ltd in 1998. The amount of $80,000 is not considered material and no impairment test is considered necessary by management as the annual results of Pan-Malayan Pharmaceuticals Pte Ltd has consistently exceeded the carrying value of goodwill.

(b) The goodwill arose from acquisition of the following subsidiaries, Ocean Health Pte Ltd ("Ocean Health Singapore"), DAC Pharmalab Pte Ltd ("DAC Pharmalab") and Ocean Healthcare (M) Sdn Bhd ("Ocean Health Malaysia"). Ocean Health Singapore is primarily engaged in distributing healthcare supplements under its registered trademark, "Ocean Health". Ocean Health Singapore also distributes various series of skin care products mainly under a non-registered brand, "Therapeutic Dermatologic Formula", and a registered trademark "TDF". DAC Pharmalab's core business is provision of bottling and labelling services to Ocean Health Singapore. Ocean Health Malaysia is currently inactive. As a result, the CGU for goodwill impairment testing was performed on the group of entities as a whole.

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of cash-generating units have been measured based on the value in use method.

The value in use was measured by management. The key assumptions for the value in use calculations are as follows. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the CGU are consistent with those used for measurement last performed and is analysed as follows:

CGU-Proprietary	Range	
Valuation technique and unobservable inputs	**(weighted average)**	
Discounted cash flow method:	**2018**	**2017**
Estimated discount rates using post-tax rates that reflect current market assessments at the risks specific to the CGU	11.3%	11.7%
Revenue growth rates	4% - 5%	8% - 9%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years	5 years

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15. Intangible assets (cont'd)

15A. Goodwill (cont'd)

Management forecasts the terminal growth rate at 2% (2017: 2%).

The goodwill was tested for impairment in December 2018. Due to increased competition in the market, the management has revised the cash flow forecasts for the CGU. The carrying amount of CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of $993,000.

Actual outcomes could vary from these estimates. If the revised estimated revenue growth at the end of the reporting year had been 1% (2017: 1%) less favourable than management's estimates at the end of the reporting year, there would be a need to reduce the carrying value of goodwill by an additional $1,296,000 (2017: $846,000). If the revised estimated post-tax discount rate applied to the discounted cash flows had been 0.5% (2017: 0.5%) less favourable than management's estimates, there would be a need to reduce the carrying value of goodwill by an additional $490,000 (2017: $388,000). The financial reporting standards on impairment of assets does not permit reversing an impairment loss for goodwill.

15B. Distribution rights and trademarks

	Group **$'000**
Cost:	
At 1 January 2017	4,039
Additions	41
At 31 December 2017	4,080
Additions	44
At 31 December 2018	4,124
Accumulated amortisation:	
At 1 January 2017	413
Amortisation for the year	406
At 31 December 2017	819
Amortisation for the year	392
At 31 December 2018	1,211
Carrying value:	
At 1 January 2017	3,626
At 31 December 2017	3,261
At 31 December 2018	2,913

The amortisation expense is charged to profit or loss under administrative expenses.

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16. Investment in subsidiaries

	Company 2018 $'000
Movements during the year. At cost:	
Cost at beginning of the year	–
Acquisitions	19,220
Cost at end of the year	19,220
Total cost comprising:	
Unquoted equity shares at cost	19,220
Net book value of subsidiaries	23,364

The following subsidiaries are wholly owned by the Group.

Name of subsidiary	Principal place of business	Principal activities	Cost in the books of the Company 2018 $'000
Held by the Company:			
Hyphens Pharma Pte. Ltd. [a]	Singapore	Sales, marketing and distribution of pharmaceutical and healthcare related products and related services	16,686
Pan-Malayan Pharmaceuticals Pte Ltd [a]	Singapore	Wholesale of pharmaceutical and medical supplies and digital business services	2,534
Held through Hyphens Pharma Pte Ltd:			
Hyphens Pharma Philippines, Inc. [b] [d]	The Philippines	Sales, marketing and distribution of pharmaceutical and healthcare related products and related services	–
Hyphens Pharma Sdn. Bhd. [b]	Malaysia	Sales, marketing and distribution of pharmaceutical and healthcare related services	–
Ocean Health Pte. Ltd. [a]	Singapore	Brand owner of health supplement products	–
DAC Pharmalab Pte Ltd [a]	Singapore	Packaging of cosmetic products and health supplement products	–
Ocean Healthcare (M) Sdn. Bhd. [c]	Malaysia	Dormant	–

(a) Audited by RSM Chio Lim LLP.

(b) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by Gomez & Co. Other independent auditor. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(d) 5 common shares are held by 5 individuals as nominees for Hyphens Pharma Pte Ltd.

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17. Inventories

	Group 2018 $'000	Group 2017 $'000
Raw materials and supplies	805	913
Finished goods and goods for resale	10,058	12,265
	10,863	13,178
Inventories are stated after allowance. Movement in allowance:		
At beginning of the year	471	306
Charge to profit or loss included in other losses	397	267
Used	(231)	(103)
Foreign exchange adjustments	–	1
At end of the year	637	471
The amount of inventories included in cost of sales	73,757	69,229
The inventories written off charged to profit or loss included in other losses	111	179

Certain inventories were purchased under trust receipts (Note 24B).

18. Trade and other receivables

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000
Trade receivables:			
Outside parties	28,371	23,347	–
Less allowance for impairment	(281)	(280)	–
Subsidiaries (Note 3)	–	–	248
Net trade receivables – subtotal	28,090	23,067	248
Other receivables:			
Staff advances	9	9	–
Deposits to secure services	1,214	382	–
Subsidiaries (Note 3)	–	–	6,500
Goods and services tax receivables	493	290	11
Other receivables	27	27	–
Other receivables – subtotal	1,743	708	6,511
Total trade and other receivables	29,833	23,775	6,759
Movements in above allowance:			
At beginning of the year	280	328	–
Charge (reversed) for trade receivables to profit or loss included in other losses (gains)	1	(44)	–
Foreign exchange adjustments	–	(4)	–
At end of the year	281	280	–

Notes to the Financial Statements

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18. Trade and other receivables (cont'd)

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

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

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

(i) Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's non-related party trade receivables not past due include receivables amounting to $20,327,000 (2017: $14,094,000).

(ii) Trade receivables that are past due and / or impaired

The age analysis of non-related party trade receivables past due but not impaired is as follows:

	Group		Company
	2018	2017	2018
	$'000	$'000	$'000
Past due less than 30 days	2,285	3,517	–
Past due 30 to 60 days	2,129	1,836	–
Past due 60 to 90 days	1,914	1,478	–
Past due over 90 days	1,435	2,142	–
Total	7,763	8,973	–

The age analysis of non-related party trade receivables that are impaired is as follows:

	Group		Company
	2018	2017	2018
	$'000	$'000	$'000
Past due over 90 days	281	280	–

Notes to the Financial Statements

31 December 2018

18. Trade and other receivables (cont'd)

(ii) Trade receivables that are past due and / or impaired (cont'd)

The allowance on trade receivables is based on individual accounts totaling $281,000 (2017: $280,000) that are determined to be impaired at the end of reporting year. These are not secured.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2017: 30 to 90 days) but some customers take a longer period to settle the amounts.

There were no related party trade and other receivables determined to be impaired.

(iii) Concentration of credit risk

The number of debtors that individually represented 5-10% of non-related party trade receivables are 5 (2017: 5).

Concentration of trade receivables customers as at the end of the reporting year:

	Group		Company
	2018	**2017**	**2018**
	$'000	**$'000**	**$'000**
Top 1 customer	6,631	5,865	196
Top 2 customers	11,515	9,724	248
Top 3 customers	15,184	12,621	–

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. Related company receivables are regarded as of low credit risk if they are guaranteed with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

19. Cash and cash equivalents

	Group		Company
	2018	**2017**	**2018**
	$'000	**$'000**	**$'000**
Not restricted in use	22,353	12,293	10,980

The rates of interest for the cash on interest earning balances ranged between 0.45% and 2% per annum.

There are no reconciliation amounts for the non-cash changes in liabilities arising from financing activities.

Notes to the Financial Statements

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20. Share capital

	Group Number of shares '000	Group $'000	Company Number of shares '000	Company $'000
Ordinary shares of no par value:				
Balance at 1 January 2017 and 31 December 2017	1,283	1,521	–	–
Issue of share at incorporation [(a)]	5	5	5	5
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise [(b)]	995	17,700	995	17,700
Shares subdivision [(c)]	239,000	–	239,000	–
Share swap pursuant to the Restructuring Exercise	(1,283)	(1,521)	–	–
Issuance of new shares pursuant to IPO [(d)]	60,000	15,600	60,000	15,600
Capitalisation of IPO expenses [(d)]	–	(750)	–	(750)
Balance at 31 December 2018	300,000	32,555	300,000	32,555

(a) The Company was incorporated on 12 December 2017 with an initial share capital of $5,000 comprising 5,000 shares held by Inomed Holding Pte Ltd and Mr Tan Chwee Choon.

(b) On 19 April 2018, the Company issued 995,000 shares to Inomed Holding Pte Ltd and Mr Tan Chwee Choon for a consideration of $17,699,925 pursuant to the Restructuring Exercise as described in Note 1.

(c) On 20 April 2018, pursuant to the Share Split, 1,000,000 shares in the capital of the Company were sub-divided into 240,000,000 shares.

(d) Pursuant to the IPO on 18 May 2018, the Company issued and allotted 60,000,000 ordinary shares for a consideration of $15,600,000. IPO expenses incurred amounted to $1,670,000 (2017: $310,000), of which $750,000 has been capitalised against share capital while the remaining amount of $920,000 (2017: $310,000) has been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The Group and Company are in a net cash and cash equivalents position (borrowings less cash and cash equivalent). The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk from borrowings.

Notes to the Financial Statements

31 December 2018

20. Share capital (cont'd)

Capital management (cont'd):

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

21. Other reserves

	Group	
	2018	**2017**
	$'000	**$'000**
Merger reserve (Note 21A)	(15,165)	–
Foreign currency translation reserves (Note 21B)	185	118
Total	(14,980)	118

21A. Merger reserve

This represents the difference between the consideration paid and the share capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method as described in Note 1 to the financial statements on Restructuring Exercise.

21B. Foreign currency translation reserves

	Group	
	2018	**2017**
	$'000	**$'000**
At beginning of the year	118	(11)
Exchange differences on translating foreign operations	67	129
At end of the year	185	118

22. Share-based payment

During the reporting year 31 December 2018, no option to take up unissued shares of the Company or any body corporate in the Group was granted. There were no employee share options granted since the commencement of the share option scheme which is more fully disclosed in the Statement by Directors.

Notes to the Financial Statements

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23. Trade and other payables

	Group		Company
	2018	2017	2018
	$'000	$'000	$'000
Trade payables:			
Outside parties and accrued liabilities	30,566	27,559	639
Trade payables – subtotal	30,566	27,559	639
Other payables:			
Dividend payable	–	7,000	–
Subsidiary (Note 3)	–	–	223
Other payables	269	542	4
Other payables – subtotal	269	7,542	227
Total trade and other payables	30,835	35,101	866

24. Other financial liabilities

	Group	
	2018	2017
	$'000	$'000
Non-current:		
Term loan (secured) (Note 24C)	–	1,588
Total non-current portion	–	1,588
Current:		
Finance lease (secured) (Note 24A)	–	20
Short-term revolving loans (unsecured) (Note 24B)	3,000	–
Term loan (secured) (Note 24C)	–	1,529
Trust receipts and bills payable to banks (Note 24B)	–	821
Total current portion	3,000	2,370
Total non-current and current	3,000	3,958

The ranges of floating interest rates paid were as follows:

	Group	
	2018	2017
	%	%
Short-term revolving loans (unsecured)	3.6% to 3.9%	3.5% to 3.6%
Trust receipts and bills payable	–	1.6% to 2.7%
The range of fixed rate interest rates paid were as follows:		
Finance lease (secured)	16%	16%
Term loan (secured)	–	4%

The floating rate debt asset instrument are with interest rates that are re-set regularly at one, three or six month interest.

Notes to the Financial Statements

31 December 2018

24. Other financial liabilities (cont'd)

24A. Finance lease

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
2017			
Minimum lease payments payable:			
Due within one year	23	(3)	20
Net book value of plant and equipment under finance leases			14

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. The fixed interest rate approximates the market interest rate. The carrying amount of the lease liabilities was not significantly different from fair value (Level 2). The carrying amount of the lease liabilities are primarily denominated in Philippine Peso. As at end of the reporting year, all finance lease liabilities were fully settled.

24B. Short term revolving loans, trust receipts and bills payable

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1) Corporate guarantee from the Company and certain subsidiaries in the Group.

2) That the Company remain listed on the Catalist Board of Singapore Exchange Securities Trading Limited.

3) Need to comply with certain financial covenants.

4) That certain subsidiaries in the Group remain fully owned by the Group.

24C. Term loan

In 2015, a subsidiary entered into term loan facility of $6,000,000, first tranche of $300,000 was disbursed on 29 December 2015 and second tranche of $5,700,000 was disbursed in 2016. The loan is secured by a charge over the shares of Ocean Health Pte. Ltd. and covered by a corporate guarantee from Pan-Malayan Pharmaceuticals Pte Ltd and the joint and several personal guarantees by certain directors of the Company. No charge is made for the guarantee. The loan payable agreement provides that the loan is with fixed interest rate of 4% per annum in the first 2 years, prevailing 3-month SIBOR + 2.5% in the following years. It is expected to be settled within 4 years.

The term loan was fully repaid in 2018.

Notes to the Financial Statements

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25. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payments commitments under non-cancellable operating leases are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	1,098	899
Later than one year and not later than five years	3,459	518
Rental expense for the year	1,410	1,093

Operating lease payments represent rentals payable by the Group for office spaces and certain equipment. The lease rental terms are negotiated for an average term of three to five years.

26. Forward currency exchange contracts

These include the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

		Principal		Fair value
	Reference currency	'000s	'000s	2018
				$'000
Forward currency contracts	USD	100	138	(1)
Forward currency contracts	USD	100	137	(2)
Forward currency contracts	USD	100	137	(2)

The purpose of these contracts is to mitigate the fluctuations of expected sales and purchases (forecast transactions) denominated in the non-functional currencies. Cash flows are expected to occur and affect profit or loss in the month concerned.

Notes to the Financial Statements

31 December 2018

27. Financial instruments: information on financial risks

27A. Categories of financial assets and liabilities

The following table categories the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company
	2018	2017	2018
	$'000	$'000	$'000
Financial assets:			
Financial assets at amortised cost	52,186	36,068	17,739
At end of the year	52,186	36,068	17,739
Financial liabilities:			
Financial liabilities at amortised cost	33,835	39,059	866
At end of the year	33,835	39,059	866

Further quantitative disclosures are included throughout these financial statements.

27B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior staff.
4. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

27C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

Notes to the Financial Statements

31 December 2018

27. Financial instruments: information on financial risks (cont'd)

27D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 19 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

27E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 80 days (2017: 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group **Non-derivative financial liabilities:**	**Less than 1 year** **$'000**	**2-5 years** **$'000**	**Total** **$'000**
2018:			
Trade and other payables	30,835	–	30,835
Gross borrowings commitments	3,000	–	3,000
At end of the year	33,835	–	33,835
2017:			
Trade and other payables	35,101	–	35,101
Gross finance lease obligations	23	–	23
Gross borrowings commitments	2,447	1,622	4,069
At end of the year	37,571	1,622	39,193

Notes to the Financial Statements

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27. Financial instruments: information on financial risks (cont'd)

27E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Company **Non-derivative financial liabilities:**	**Less than 1 year** **$'000**	**2-5 years** **$'000**	**Total** **$'000**
2018:			
Trade and other payables	866	–	866
At end of the year	866	–	866

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At the end of the reporting year no claims on the financial guarantees are expected to be payable.

Bank facilities:	**Group**	
	2018	**2017**
	$'000	**$'000**
Undrawn borrowing facilities	10,768	14,358

Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance the financial reporting standard on financial instruments and (b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of the financial reporting standard on revenue from contracts with customers.

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

27F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2018	**2017**
	$'000	**$'000**
Financial liabilities with interest:		
Fixed rates	–	3,137
Floating rates	3,000	821
Total at end of year	3,000	3,958

The floating rate debt instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

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27. Financial instruments: information on financial risks (cont'd)

27G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies:

Group 2018:	US Dollar $'000	Euro $'000	Vietnam Dong $'000	Others $'000	Total $'000
Financial assets:					
Cash and cash equivalents	1,353	3,535	14	99	5,001
Loan and receivables	6,017	9,877	–	1,576	17,470
Total financial assets	7,370	13,412	14	1,675	22,471
Financial liabilities:					
Trade and other payables	(6,617)	(6,939)	(2,306)	–	(15,862)
Total financial liabilities	(6,617)	(6,939)	(2,306)	–	(15,862)
Net financial assets (liabilities) at end of the year	753	6,473	(2,292)	1,675	6,609

Group 2017:	US Dollar $'000	Euro $'000	Vietnam Dong $'000	Others $'000	Total $'000
Financial assets:					
Cash and cash equivalents	3,953	556	35	34	4,578
Loan and receivables	4,936	6,686	–	614	12,236
Total financial assets	8,889	7,242	35	648	16,814
Financial liabilities:					
Trade and other payables	(12,060)	(3,245)	(998)	–	(16,303)
Total financial liabilities	(12,060)	(3,245)	(998)	–	(16,303)
Net financial assets (liabilities) at end of the year	(3,171)	3,997	(963)	648	511

Notes to the Financial Statements

31 December 2018

27. Financial instruments: information on financial risks (cont'd)

27G. Foreign currency risk (cont'd)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	Group	
	2018	2017
	$'000	$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US Dollars with all other variables held constant would have (an adverse) a favourable effect on pre-tax profit of	(75)	317
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Euro with all other variables held constant would have an adverse effect on pre-tax profit of	(647)	(400)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Vietnam Dong with all other variables held constant would have a favourable effect on pre-tax profit of	229	96
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against others with all other variables held constant would have an adverse effect on pre-tax profit of	(168)	(65)

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

Notes to the Financial Statements

31 December 2018

28. Items in profit or loss

In addition to the profit and loss line items disclosed elsewhere in the Notes to the financial statements, this item includes the following expenses (credits):

	Group	
	2018	2017
	$'000	$'000
Audit fees to the independent auditor of the Company	128	61
Audit fees to the other independent auditors	12	12
Other fees to the independent auditor of the Company, in connection with IPO [a]	102	79
Other fees to the independent auditor of the Company, including its affiliated firms [b]	101	22

[a] Exclude IPO expenses of $47,000 capitalised against share capital (Note 20 (a)) ; and:

[b] Exclude one-time fees of $137,000 for IT services, relating to Group's relocation to the new integrated facility, and procurement of hardware and software, capitalised against plant and equipment (Note 14).

29. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements, other than adoption of SFRS(I) 15 as detailed below.

SFRS(I) No.	Title
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

SFRS(I) 15 Revenue from Contracts with Customers:

The standard establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). It replaces the former revenue recognition standards and related interpretations.

Management assessed that the adoption of the standard does not have an impact to the opening retained earnings except for certain reclassifications made to the profit or loss items.

	Regrouping / Reclassifications		
	After	Before	Difference
	$'000	$'000	$'000
2017 Statement of comprehensive income:			
Revenue	112,652	113,157	(505)
Distribution costs	(20,402)	(20,907)	505

Notes to the Financial Statements

31 December 2018

30. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. Adoption of the applicable new or revised standards are expected to result in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement. Those that are expected to have a material impact are described below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases – Illustrative Examples and Amendments to Guidance on Other Standards)	1 Jan 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 Jan 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 Jan 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 Jan 2019

SFRS(I) 16 Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 December 2018 shown in Note 25, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements.

The table below shows the amount by which each financial statement line item is impacted (debits (credits)) in the current reporting year 2018 by application of the new standard on leases:

	2018 $'000
Statement of financial position:	
Right-of-use assets	3,903
Lease liabilities	(3,903)
Net change to equity	–

Notes to the Financial Statements

31 December 2018

31. Comparative figures

The consolidated financial statements of the Group for the reporting year ended 31 December 2017 has been prepared based on the pooling of interests method as if the Group, which is ultimately controlled by a common shareholder both before and after the Restructuring Exercise.

The Company's financial statements cover the reporting period since incorporation on 12 December 2017 to 31 December 2018. This being the first set of financial statements for the Company, there are no comparative figures.

Statistics of Shareholdings

As at 12 March 2019

SHARE CAPITAL

Number of Issued Shares	:	300,000,000
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each ordinary share
Number of treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
100 - 1,000	60	5.68	51,800	0.02
1,001 - 10,000	689	65.25	3,019,600	1.00
10,001 - 1,000,000	298	28.22	18,295,900	6.10
1,000,001 and above	9	0.85	278,632,700	92.88
TOTAL	1,056	100.00	300,000,000	100.00

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 12 March 2019, approximately 19.74% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"). Accordingly, Rule 723 of the Catalist Rules is complied with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	INOMED HOLDING PTE LTD	196,214,640	65.40
2	TAN CHWEE CHOON	43,785,360	14.60
3	DBS NOMINEES (PRIVATE) LIMITED	13,812,200	4.60
4	BPSS NOMINEES SINGAPORE (PTE.) LTD.	10,800,000	3.60
5	MAXI-HARVEST GROUP PTE LTD	5,200,000	1.73
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,519,700	1.51
7	CITIBANK NOMINEES SINGAPORE PTE LTD	2,071,200	0.69
8	RAFFLES NOMINEES (PTE.) LIMITED	1,146,000	0.38
9	PHILLIP SECURITIES PTE LTD	1,083,600	0.36
10	HSBC (SINGAPORE) NOMINEES PTE LTD	933,400	0.31
11	SAW TZE CHOON	810,000	0.27
12	IFAST FINANCIAL PTE. LTD.	535,200	0.18
13	GAN KAH ANN ANDREW	500,000	0.17
14	YONG YUEN PUN MICHAEL	500,000	0.17
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	446,800	0.15
16	TAN WEI XIN MICHELLE	400,000	0.13
17	NEO KIM KUEK	325,000	0.11
18	LEONG WAI LEONG	307,000	0.10
19	GOH SOO SIAH	300,000	0.10
20	SIN GUAN HENG	268,200	0.09
	TOTAL	283,958,300	94.65

Statistics of Shareholdings

As at 12 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2019

No.	Name of Shareholders	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total	% *
1.	Inomed Holding Pte Ltd	196,214,640	–	196,214,640	65.4
2.	Lim See Wah	–	196,214,640	196,214,640	65.4
3.	Tan Kia King	–	196,214,640	196,214,640	65.4
4.	Tan Chwee Choon	43,785,360	–	43,785,360	14.6

* Percentage is calculated based on the total number of issued ordinary shares as at 12 March 2019

NOTES:

1. Mr Lim See Wah holds 61.1% direct interest in Inomed Holding Pte Ltd ("Inomed") and is therefore deemed to be interested in the 196,214,640 ordinary shares in the Company held by Inomed by virtue of Section 4 of the Securities and Futures Act, Cap. 289.

2. Dr Tan Kia King holds 38.9% of the shares in Inomed and is therefore deemed to be interested in the 196,214,640 ordinary shares in the Company held by Inomed by virtue of Section 4 of the Securities and Futures Act, Cap. 289.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 1st Annual General Meeting ("**AGM**") of the Company will be held at 16 Tai Seng Street #04-01 Singapore 534138 on Friday, 26 April 2019 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 0.55 cents per ordinary share for the financial year ended 31 December 2018. **Resolution 2**

3. To re-elect the following Directors who retire by rotation in accordance with the Constitution of the Company and who, being eligible, offer themselves for re-election:

(a)	Mr Lim See Wah	[Regulation 97]	**Resolution 3**
(b)	Mr Heng Wee Koon	[Regulation 103]	**Resolution 4**
(c)	Mr Ng Eng Leng	[Regulation 103]	**Resolution 5**
(d)	Dr Poon Thong Yuen	[Regulation 103]	**Resolution 6**

4. To approve the Directors' fees of SGD 167,000 for the year ended 31 December 2018. **Resolution 7**

5. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without amendments:

6 **Proposed Share Issue Mandate** **Resolution 9**

That authority be and is hereby given to the Directors, pursuant to Section 161 of the Companies Act (Chapter 50) and Rule 806 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rule of Catalist ("**Catalist Rules**") to:

(A) (i) issue shares of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (each an "**Instrument**" and collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, and/or

(iii) notwithstanding the authority conferred may have ceased to be in force at the time that instruments are to be issued, issue additional instruments arising from adjustments Instrument made to the number of instruments previously issued in the event of rights, bonus or other capitalisation issuances,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit.

(B) issue Shares in pursuance of any instrument made or granted by the Directors pursuant to (A)(ii) and/or (A)(iii) above, while such authority was in force (notwithstanding that such issuance of Shares pursuant to the instruments may occur after the expiration of the authority contained in this Resolution), provided that:

Notice of Annual General Meeting

(i) the aggregate number of Shares to be issued pursuant to this authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this authority but excluding Shares which may be issued pursuant to any adjustments ("**Adjustments**") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company), does not exceed 100% of the total number of issued share capital and provided that the aggregate number of Shares to be issued other than a pro-rata basis to the shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority, but excluding Shares which may be issued pursuant to any Adjustments effected under any relevant Instrument) shall not exceed 50% of the total number of issued share capital (excluding treasury Shares and subsidiary holdings, if any);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:-

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares

(iii) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied in general meeting by ordinary resolution, the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

7. **Grant awards and to allot and issue shares in accordance with Hyphens Share Plan** **Resolution 10**

That approval be and is hereby given to the Directors to:

(i) offer and grant awards in accordance with the provisions of the Hyphens Share Plan ("the **Hyphens Share Plan**"); and

(ii) allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of awards under the Hyphens Share Plan, the Share Option Scheme and any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings, if any) from time to time."

Notice of Annual General Meeting

8. **Grant Options and to allot and issue shares in accordance with Hyphens Share Option Scheme** **Resolution 11**

   That pursuant to Section 161 of the Companies Act (Chapter 50) and the Catalist Rules, approval be and is hereby given to the Directors of the Company to:

   (i) offer and grant Options in accordance with the provisions of the Hyphens Share Option Scheme ("the **Share Option Scheme**"); and

   (ii) to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the exercise of the Options under the Share Option Scheme, the Hyphens Share Plan and any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings, if any) from time to time.

9. To transact any other business which may be properly transacted at an AGM of the Company.

BY ORDER OF THE BOARD

Lim Sher Mei
Company Secretary

Date: 11 April 2019

EXPLANATORY NOTES

Resolution 3

Mr Lim See Wah will, upon re-election as a Director, remain as the Executive Chairman and Chief Executive Officer of the Company.

Resolution 4

Mr Heng Wee Koon shall, upon re-election as Director of the Company, remain as the Lead Independent Director, the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee and shall be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

Resolution 5

Mr Ng Eng Leng shall, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and shall be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

Resolution 6

Dr Poon Thong Yuen shall, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee and shall be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

Resolution 9

Resolution 9 is to empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company. The number of Shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed hundred per cent (100%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings, if any) at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings, if any). This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting, or by the date by which the next annual general meeting is required by law to be held, whichever is earlier.

Notice of Annual General Meeting

Resolution 10

Resolution 10 is to empower the Directors to grant awards and to allot and issue Shares pursuant to the Performance Share Plan. The grant of awards under the Performance Share Plan will be made in accordance with the provisions of the Performance Share Plan. The aggregate number of Shares which may be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings, if any) from time to time.

Resolution 11

Resolution 11 is to empower the Directors to offer and grant options, and to allot and issue Shares pursuant to the Share Option Scheme. The grant of options under the Scheme will be made in accordance with the provisions of the Share Option Scheme. The aggregate number of Shares which may be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings, if any) from time to time.

NOTES

a) A member entitled to attend and vote at this AGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 16 Tai Seng Street #04-01 Singapore 534138 not less than 72 hours before the AGM.

c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

d) In the case of joint shareholders, all holders must sign the form of proxy.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 14 May 2019 for the purpose of determining members' entitlements to a final tax exempt (one-tier) dividend of 0.55 cents per ordinary share for the financial year ended 31 December 2018 ("**Proposed Final Dividend**"). The Proposed Final Dividend, if approved by shareholders at the AGM, will be paid on 24 May 2019.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 up to the close of business at 5:00 p.m. on 13 May 2019 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5:00 p.m. on 13 May 2019 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the Proposed Final Dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

HYPHENS PHARMA INTERNATIONAL LIMITED
Registration No. 201735688C
(Incorporated in Singapore)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 5 for the definition of "relevant intermediary").
2. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. SRS Investors who are unable to attend the Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending the Meeting.
3. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING
PROXY FORM

I/We ______________________ NRIC/Passport number/Co. Reg. No. ______________________

of ____
being a member/members of Hyphens Pharma International Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

or failing the person, or either or both of the persons, referred to above, the Chairman of the 1st Annual General Meeting of the Company (the "**Annual General Meeting**"), as my/our proxy/proxies to attend, speak and to vote for me/us on my/our behalf, at the Annual General Meeting to be held at 16 Tai Seng Street #04-01 Singapore 534138 on Friday, 26 April 2019 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	To receive and adopt the Directors' Statement, Auditor's Report and Audited Financial Statements		
2.	To declare a final tax exempt (one-tier) dividend of 0.55 cents per ordinary share		
3.	To re-elect Mr Lim See Wah as Director		
4.	To re-elect Mr Heng Wee Koon as Director		
5.	To re-elect Mr Ng Eng Leng as Director		
6.	To re-elect Dr Poon Thong Yuen as Director		
7.	To approve the Directors' fees payable by the Company		
8.	To re-appoint RSM Chio Lim LLP as Auditors		
SPECIAL BUSINESS			
9.	To authorise the Directors to allot and issue new shares		
10.	To authorise the Directors to grant awards and issue shares in accordance with the Hyphens Share Plan		
11.	To authorise the Directors to grant options and issue shares in accordance with the Hyphens Share Option Scheme		

Dated this ________ day of ________________ 2019

Total number of Shares held

____
Signature(s) of member(s) or common seal

IMPORTANT: PLEASE READ NOTES

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. Each of the resolutions to be put to the vote of members at the Annual General Meeting (and at any adjournment thereof) will be voted by way of a poll.

3. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint up to two (2) proxies to attend and vote in his/her stead, subject to note 5 below for relevant intermediary. A proxy need not be a member of the Company.

4. Where a member appoints two (2) proxies, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified. If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and the entire number of shares registered in his/her name in the Register of Members, and any second named proxy as an alternate to the first named proxy.

5 A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "**Relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

6. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending and voting at a meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy or proxies to the meeting.

7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.

8. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 16 Tai Seng Street #04-01 Singapore 534138 not less than **72** hours before the time appointed for the Annual General Meeting.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at least **72** hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

HYPHENS PHARMA INTERNATIONAL LIMITED
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