

## FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::THIRD QUARTER RESULTS

### Issuer & Securities

#### Issuer/ Manager

HYPHENS PHARMA INTERNATIONAL LIMITED

#### Securities

HYPHENS PHARMA INTL LIMITED - SG1EE4000006 - 1J5

#### Stapled Security

No

### Announcement Details

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#### Submitted By (Co./ Ind. Name)

Lim See Wah

#### Designation

Executive Chairman & CEO

#### Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please refer to the announcement.

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement including the accuracy, completeness or correctness

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#### Additional Details

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For Financial Period Ended

30/09/2019

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#### Attachments

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[Hyphens results 3Q2019.pdf](#)

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[Hyphens Q3FY2019-Results-Press-Release.pdf](#)

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Total size = 1530K MB

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**HYPHENS PHARMA INTERNATIONAL LIMITED**

(Company Registration No. 201735688C)

(Incorporated in the Republic of Singapore)

**Unaudited Financial Statements  
For the Third Quarter and Period Ended 30 Sep 2019**
**PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

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

**Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3Q2019 S\$'000	3Q2018 S\$'000	Change %	9M2019 S\$'000	9M2018 S\$'000	Change %
<b>Revenue</b>	30,699	29,448	4.2%	86,705	90,963	-4.7%
Cost of sales	(19,826)	(19,949)	-0.6%	(56,208)	(60,754)	-7.5%
<b>Gross profit</b>	10,873	9,499	14.5%	30,497	30,209	1.0%
Other income and gains	222	60	270.0%	341	238	43.3%
Distribution costs	(6,190)	(5,364)	15.4%	(17,258)	(16,095)	7.2%
Administrative expenses	(2,395)	(2,466)	-2.9%	(7,245)	(7,851)	-7.7%
Finance costs	(32)	(35)	-8.6%	(106)	(109)	-2.8%
Other losses	(269)	(261)	-3.1%	(305)	(575)	-47.0%
<b>Profit before tax</b>	2,209	1,433	54.2%	5,924	5,817	1.8%
Income tax expense	(408)	(244)	67.2%	(1,059)	(1,221)	-13.3%
<b>Profit, net of tax</b>	1,801	1,189	51.5%	4,865	4,596	5.9%
<b>Other comprehensive (loss) income:</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translating foreign operations, net of tax	(6)	16	N.M.	(33)	119	N.M.
<b>Other comprehensive (loss) income for the period, net of tax:</b>	(6)	16	N.M.	(33)	119	N.M.
<b>Total comprehensive income</b>	1,795	1,205	49.0%	4,832	4,715	2.5%

Note: N.M. – Not meaningful

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

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

	3Q2019	3Q2018	Change	9M2019	9M2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	(35)	(13)	169.2%	(102)	(18)	466.7%
Government grants	(13)	(47)	-72.3%	(137)	(220)	-37.7%
Depreciation and amortisation	506	179	182.7%	1,496	540	177.0%
Allowance/ (reversal of allowance) for impairment of trade receivables	24	(2)	N.M.	(63)	1	N.M.
Bad debts written off	-	-	-	2	-	N.M.
Allowance for inventories obsolescence	60	104	-42.3%	10	227	-95.6%
Inventories written off	207	48	331.3%	289	84	244.0%
(Over)/underprovision of tax in respect of prior years	-	(3)	-100.0%	(52)	31	N.M.
Foreign exchange (gains)/ losses	(198)	112	N.M.	(39)	263	N.M.
Loss on disposal of plant and equipment	2	-	N.M.	4	-	N.M.
IPO expenses	-	-	-	-	920	-100.0%
R&D expenses	9	142	-93.7%	100	421	-76.2%

Note: N.M. – Not meaningful

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

	Group		Company	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Plant and equipment	6,276	3,464	179	197
Intangible assets	7,493	7,764	-	-
Deferred tax assets	131	210	-	-
Investment in subsidiaries	-	-	19,220	19,220
<b>Total non-current assets</b>	<b>13,900</b>	<b>11,438</b>	<b>19,399</b>	<b>19,417</b>
<b><u>Current assets</u></b>				
Inventories	12,978	10,863	-	-
Trade and other receivables	27,981	29,833	4,818	6,759
Prepayments	293	492	53	41
Cash and cash equivalents	23,456	22,353	10,849	10,980
<b>Total current assets</b>	<b>64,708</b>	<b>63,541</b>	<b>15,720</b>	<b>17,780</b>
<b>Total assets</b>	<b>78,608</b>	<b>74,979</b>	<b>35,119</b>	<b>37,197</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity</u></b>				
Share capital	32,641	32,555	32,641	32,555
Retained earnings	24,802	21,587	1,813	3,768
Other reserves	(15,013)	(14,980)	-	-
<b>Total equity</b>	<b>42,430</b>	<b>39,162</b>	<b>34,454</b>	<b>36,323</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	457	502	-	-
Lease liabilities, non-current	2,538	-	-	-
<b>Total non-current liabilities</b>	<b>2,995</b>	<b>502</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Income tax payable	1,235	1,480	-	8
Trade and other payables	30,608	30,835	665	866
Lease liabilities, current	840	-	-	-
Other financial liabilities	500	3,000	-	-
<b>Total current liabilities</b>	<b>33,183</b>	<b>35,315</b>	<b>665</b>	<b>874</b>
<b>Total liabilities</b>	<b>36,178</b>	<b>35,817</b>	<b>665</b>	<b>874</b>
<b>Total equity and liabilities</b>	<b>78,608</b>	<b>74,979</b>	<b>35,119</b>	<b>37,197</b>

**Note:**

- (i) Other reserves include negative merger reserve of S\$15.165 million relating to the difference between the consideration paid by the Company and the equity of Hyphens Pharma Pte. Ltd. acquired in relation to the restructuring exercise undertaken in relation to the listing of the Company on the Catalist Board of the SGX-ST ("Restructuring Exercise"). The acquisition of Hyphens Pharma Pte. Ltd. by the Company was completed on 19 April 2018.

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

	30 Sep 2019		31 Dec 2018	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	-	500	-	3,000
Amount repayable after one year	-	-	-	-
	-	500	-	3,000

**Details of any collaterals:**

All banking facilities are covered by corporate guarantee provided by the Company and Hyphens Pharma Pte. Ltd. or Pan-Malayan Pharmaceuticals Pte Ltd.

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

	<b>3Q2019</b>	<b>3Q2018</b>	<b>9M2019</b>	<b>9M2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b><u>Cash flows from operating activities</u></b>				
Profit before tax	2,209	1,433	5,924	5,817
Adjustments for:				
Amortisation of intangible assets	98	98	295	291
Depreciation of plant and equipment	408	81	1,201	249
Interest income	(35)	(13)	(102)	(18)
Interest expense	32	35	106	109
Loss on disposal of plant and equipment	2	-	4	-
Expenses in connection with IPO	-	-	-	920
Net effect of exchange rate changes in consolidating foreign operations	(6)	17	(33)	122
Operating cash flows before changes in working capital	2,708	1,651	7,395	7,490
Trade and other receivables	(2,036)	204	1,852	(4,691)
Prepayments	(78)	46	199	77
Inventories	(2,589)	2,141	(2,115)	417
Trade and other payables	2,687	(1,333)	178	1,955
Net cash flows from operations	692	2,709	7,509	5,248
Income taxes paid	(392)	(325)	(1,271)	(980)
Net cash flows from operating activities	300	2,384	6,238	4,268
<b><u>Cash flows from investing activities</u></b>				
Purchase of plant and equipment	(316)	(1,385)	(432)	(2,238)
Purchase of intangible assets	(2)	(16)	(24)	(36)
Interest received	35	13	102	18
Net cash flows used in investing activities	(283)	(1,388)	(354)	(2,256)
<b><u>Cash flows from financing activities</u></b>				
Gross proceeds from issuance of new shares pursuant to incorporation and IPO	-	-	-	15,605
IPO expenses paid	-	-	-	(1,670)
Dividends paid to equity owners	-	-	(1,650)	(3,000)
Payment of lease liabilities	(175)	-	(525)	-
Interest paid	(32)	(35)	(106)	(109)
Net decrease in other financial liabilities	-	(3,691)	(2,500)	(1,851)
Net cash flows (used in)/ from financing activities	(207)	(3,726)	(4,781)	8,975
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(190)</b>	<b>(2,730)</b>	<b>1,103</b>	<b>10,987</b>
Cash and cash equivalents at beginning of period	23,646	26,010	22,353	12,293
<b>Cash and cash equivalents at ending of period</b>	<b>23,456</b>	<b>23,280</b>	<b>23,456</b>	<b>23,280</b>

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

Group	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000
Balance as at 1 January 2019	39,162	32,555	21,587	(14,980)
Issuance of new shares pursuant to share awards under Hyphens Share Plan	86	86	-	-
Dividends	(1,650)	-	(1,650)	-
Total comprehensive income for the period	4,832	-	4,865	(33)
Balance as at 30 Sep 2019	42,430	32,641	24,802	(15,013)

Group	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000
Balance as at 1 January 2018	18,830	1,521	17,191	118
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 shares pursuant to incorporation and IPO	15,605	15,605	-	-
Capitalisation of IPO expenses pursuant to issuance of new shares	(750)	(750)	-	-
Total comprehensive income for the period	4,715	-	4,596	119
Balance as at 30 Sep 2018	38,400	32,555	20,773	(14,928)

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at 1 January 2019	36,323	32,555	3,768
Issuance of new shares pursuant to share awards under Hyphens Share Plan	86	86	-
Dividends	(1,650)	-	(1,650)
Total comprehensive loss for the period	(305)	-	(305)
Balance as at 30 Sep 2019	34,454	32,641	1,813

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at 1 January 2018	5	5	-
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise	19,220	17,700	1,520
Issuance of shares pursuant to IPO	15,600	15,600	-
Capitalisation of IPO expenses pursuant to issuance of new shares	(750)	(750)	-
Total comprehensive loss for the period	(1,253)	-	(1,253)
Balance as at 30 Sep 2018	32,822	32,555	267



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

There has been no change in the Company's share capital since 30 June 2019.

The Company has no treasury shares or convertible instruments as at 30 September 2019 and 30 September 2018.

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

The Company has no treasury shares as at 30 September 2019 and 31 December 2018.

The total number of issued shares, excluding treasury shares, as at 30 September 2019 was 300,430,400 (31 December 2018: 300,000,000).

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

Not applicable

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

Not applicable

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

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

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

Not applicable

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

Save as disclosed in Section 5 below, the accounting policies and methods of computation adopted in the financial statements for the reporting period are consistent with those disclosed in the most recently audited combined financial statements for the financial year ended 31 December 2018.

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

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I)s ("SFRS(I)INT") that are effective for the financial periods beginning on or after 1 January 2019. The adoption of these SFRS(I)s and SFRS(I)INT did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period, except for recognition of right-of-use asset and corresponding liability in respect of a lease.

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

	3Q2019	3Q2018	9M2019	9M2018
<b>Earnings per share ("EPS")</b>				
Profit attributable to owners of the Company (S\$'000)	1,801	1,189	4,865	4,596
On a basic and diluted basis (Singapore cents per share)	0.60	0.44	1.62	1.70

Note: EPS for 3Q2018 and 9M2018 have been computed based on weighted average share capital of 269,670,000 shares.

EPS for 3Q2019 and 9M2019 have been computed based on weighted average share capital of 300,218,000 shares.

The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 September 2019 and 30 September 2018.

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

	Group		Company	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Net asset value ("NAV") (S\$'000)	42,430	39,162	34,454	36,323
NAV per ordinary share (Singapore cents per share)	14.12	13.05	11.47	12.11

Note: NAV per ordinary share for periods ended 30 September 2019 and 31 December 2018 have been computed based on the share capital of 300,430,400 and 300,000,000 shares respectively.

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

#### **Consolidated Statement of Comprehensive Income**

##### **3Q2019 compared to 3Q2018**

	3Q2019	3Q2018	Change	9M2019	9M2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Revenue</b>						
Specialty pharma principals	16,900	15,946	6.0%	46,370	51,818	-10.5%
Proprietary brands	3,589	3,315	8.3%	10,653	10,078	5.7%
Medical hypermart and digital	10,210	10,187	0.2%	29,682	29,067	2.1%
	<b>30,699</b>	<b>29,448</b>	<b>4.2%</b>	<b>86,705</b>	<b>90,963</b>	<b>-4.7%</b>

#### **Revenue**

The Group's revenue increased by 4.2% or S\$1.3 million from S\$29.4 million in 3Q2018 to S\$30.7 million in 3Q2019.

Increased sales across the various segments had contributed to the overall improvement. In particular, sales from the specialty pharma principals segment had increased by 6.0% in 3Q2019, resulting from higher demand in most of the geographical regions.

The increase was further complemented by increased sales of 8.3% in the proprietary brands segment due to higher sales of dermatological products under Ceradan® brand, in line with the Group's efforts to promote its proprietary brands.

**Consolidated Statement of Comprehensive Income (cont'd)****3Q2019 compared to 3Q2018 (cont'd)****Gross profit**

Gross profit increased by 14.5% or S\$1.4 million from S\$9.5 million in 3Q2018 to S\$10.9 million in 3Q2019.

Gross profit margin for 3Q2019 had improved from 32.3% in 3Q2018 to 35.4%, in line with higher proportion of revenue generated by the specialty pharma principals and proprietary brands segments, which enjoy relatively higher gross profit margins.

**Other income and gains**

Other income and gains increased by 270.0% or S\$0.1 million from S\$0.1 million in 3Q2018 to S\$0.2 million in 3Q2019 as a result of foreign exchange gains.

**Distribution costs**

Distribution costs in 3Q2019 increased by 15.4% or S\$0.8 million from S\$5.4 million to S\$6.2 million due to increased advertising and promotional expenses following the expansion of the distribution channels of the Ceradan® product range to retail pharmacies and strengthening of human capital to support our long-term growth strategy.

**Administrative expenses**

Administrative expenses reduced by 2.9% or S\$0.1 million, from S\$2.5 million in 3Q2018 to S\$2.4 million in 3Q2019 due to (i) reduced office rental costs following the classification of operating lease as right-of-use asset and (ii) lower R&D expenses, partially offset by (iii) higher depreciation costs following capitalisation of right-of-use asset under lease as well as capital expenditure relating to the integrated facility.

**Profit before tax**

Profit before tax increased by 54.2% or S\$0.8 million from S\$1.4 million in 3Q2018 to S\$2.2 million in 3Q2019, mainly due to increased revenue, reduced administrative expenses and lower other losses which were partially offset by higher distribution costs as explained above.

**Income tax expense**

Income tax expense for 3Q2019 was S\$0.2 million higher than 3Q2018, as a result of higher profits for the period.

**Profit after tax**

As a result of the foregoing, the Group's net profit after tax increased by 51.5% or S\$0.6 million, from S\$1.2 million in 3Q2018 to S\$1.8 million in 3Q2019.

**Consolidated Statement of Comprehensive Income (cont'd)****9M2019 compared to 9M2018****Revenue**

The Group's revenue decreased by 4.7% or S\$4.3 million from S\$91.0 million in 9M2018 to S\$86.7 million in 9M2019.

There was a decline of 10.5% in the specialty pharma principals segment in 9M2019 as there was higher demand in 9M2018, ahead of product licensing renewals in Vietnam. The decline was partially offset by (i) increased sales of 5.7% in the proprietary brands segment due to higher sales in dermatological products under the Ceradan® brand, in line with the Group's efforts to promote its proprietary brands and (ii) increased sales of 2.1% in the medical hypermart and digital segment attributed by revenue from tender awards.

**Gross profit**

Gross profit increased by 1.0% or S\$0.3 million from S\$30.2 million in 9M2018 to S\$30.5 million in 9M2019.

Gross profit margin increased by 2.0% from 33.2% in 9M2018 to 35.2% in 9M2019, primarily due to relatively higher sales contribution from Singapore.

**Other income and gains**

Other income and gains increased by 43.3% or S\$0.1 million from S\$0.2 million in 9M2018 to S\$0.3 million in 9M2019 mainly due to the reversal of allowance on trade receivables as a result of collection of long overdue debts which have been previously provisioned for, foreign exchange gains and higher interest income.

**Distribution costs**

Distribution costs increased by 7.2% or S\$1.2 million from S\$16.1 million in 9M2018 to S\$17.3 million in 9M2019 due to increased advertising and promotional expenses following the expansion of distribution channel of Ceradan® product range to retail pharmacies and strengthening of human capital to support our long-term growth strategy.

**Administrative expenses**

Administrative expenses reduced by 7.7% or S\$0.6 million, from S\$7.8 million in 9M2018 to S\$7.2 million in 9M2019 due to (i) absence of one-off IPO expenses of S\$0.9 million, (ii) reduced office rental costs following the classification of operating lease as right-of-use asset (iii) lower R&D expenses, partially offset by (iv) higher depreciation costs following capitalisation of right-of-use asset under lease as well as capital expenditure relating to the integrated facility and (v) increased compliance costs and listing fees.

**Other losses**

Other losses decreased by 47.0% or S\$0.3 million from S\$0.6 million in 9M2018 to S\$0.3 million in 9M2019 mainly due to reduced allowance for inventories obsolescence, absence of foreign exchange losses, partially offset by higher inventories written off.

**Profit before tax**

Profit before tax increased by 1.8% or S\$0.1 million from S\$5.8 million in 9M2018 to S\$5.9 million in 9M2019, mainly due to increase in gross profits and reduced administrative expenses as explained above, partially offset by higher distribution costs.

**Consolidated Statement of Comprehensive Income (cont'd)****9M2019 compared to 9M2018 (cont'd)**Income tax expense

Income tax expense for 9M2019 was S\$0.2 million lower than 9M2018 despite increased profits for the period due to non-tax deductibility of IPO expenses in 9M2018.

Profit after tax

As a result of the foregoing, the Group's net profit after tax increased by 5.9% or S\$0.3 million, from S\$4.6 million in 9M2018 to S\$4.9 million in 9M2019.

**Consolidated Statements of Financial Position**

*The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 September 2019 and 31 December 2018.*

Non-current assets

The Group's non-current assets increased by S\$2.5 million from S\$11.4 million as at 31 December 2018 to S\$13.9 million as at 30 September 2019 primarily due to recognition of right-of-use asset for lease premise of the integrated facility of approximately S\$3.9 million and purchase of automated repackaging machinery of S\$0.3 million, partially offset by depreciation of plant and equipment and amortisation of intangible assets of approximately S\$1.5 million.

Current assets

The Group's current assets increased by S\$1.2 million from S\$63.5 million as at 31 December 2018 to S\$64.7 million as at 30 September 2019 mainly due to increase in inventories and cash and cash equivalents of S\$2.1 million and S\$1.1 million respectively, partially offset by decrease in trade and other receivables of S\$1.9 million.

The increase in inventories was mainly due to higher inventories-in-transit. The decrease in trade and other receivables was mainly due to decrease in trade receivables from Vietnam distributors, in line with the reduced sales.

Non-current liabilities

The Group's non-current liabilities increased by S\$2.5 million from S\$0.5 million as at 31 December 2018 to S\$3.0 million as at 30 September 2019 primarily due to recognition of lease liabilities relating to leased premise at the integrated facility.

Current liabilities

The Group's current liabilities decreased by S\$2.1 million from S\$35.3 million as at 31 December 2018 to S\$33.2 million as at 30 September 2019. This was mainly attributable to (i) decrease of S\$0.2 million in trade and other payables in line with reduced purchases and (ii) reduced net bank borrowings of S\$2.5 million, partially offset by (iii) increase of S\$0.8 million in lease liabilities relating to leased premise.

## **Consolidated Statements of Cash Flows**

### **3Q2019**

The Group generated net cash of S\$0.3 million from operating activities in 3Q2019, mainly due to operating cash flows before changes in the working capital of S\$2.7 million, offset by net working capital outflows of S\$2.1 million and income taxes paid of S\$0.4 million.

The net working capital outflows were due to (i) increase in trade and other receivables of S\$2.0 million, (ii) increase in inventories of S\$2.6 million, partially offset by (iii) increase in trade and other payables of S\$2.7 million.

Net cash flows used in investing activities amounted to S\$0.3 million during 3Q2019, mainly due to payment of final balance relating to the integrated facility.

Net cash flows used in financing activities amounted to S\$0.2 million during 3Q2019, mainly due to lease payment.

### **9M2019**

The Group generated net cash of S\$6.2 million from operating activities in 9M2019, mainly due to operating cash flows before changes in the working capital of S\$7.4 million and net working capital inflows of S\$0.1 million, offset by income taxes paid of S\$1.3 million.

The net working capital inflows were due to (i) decrease in trade and other receivables of S\$1.9 million, (ii) increase in trade and other payables of S\$0.2 million, partially offset by (iii) increase in inventories of S\$2.1 million.

Net cash flows used in investing activities during 9M2019 amounted to S\$0.4 million, mainly attributable to payment of final balance relating to the integrated facility partially offset by interest income of S\$0.1 million.

Net cash flows used in financing activities amounted to S\$4.8 million during 9M2019, mainly due to (i) dividend payment of S\$1.7 million, (ii) net bank borrowings repayment of S\$2.5 million and (iii) lease payment amounting to S\$0.5 million.

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

Not applicable

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

The Group remains focused on further cementing its leadership position in Singapore and deepening its presence in the ASEAN region. The Group will continue to engage in brand building and marketing activities to gain market share for its products, especially for the two key brands in its proprietary brands business segments, Ceradan® and Ocean Health®. To support its growth strategy, the Group will continue to invest in its human talent.

As for product development, the Group's dermatological products such as Ceradan® Advanced, a patent-pending emollient with a skin pH buffering system built-in to maintain the skin barrier integrity for longer periods of time, and TDF Fairence® T-Complex, a pigmentation cream using patented Xcelarev® technology, will continue to undergo clinical activities for further validation.

**11 Dividend**

**(a) Current Financial Period Reported On**

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

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12 If no dividend has been declared or recommended, a statement to that effect and the reason(s) for the decision**

No dividend has been declared or recommended for the period under review. On the grounds of prudence, the Board will review the dividend pay-out after close of the financial year.

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

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

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

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for 3Q2019 and 9M2019 to be false or misleading in any material aspect.

**Lim See Wah**

Chairman and Chief Executive Officer

**Tan Chwee Choon**

Executive Director

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

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



## 16 Utilisation of Proceeds from the Initial Public Offering ("IPO")

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

	Allocated S\$'000	Utilised S\$'000	Balance S\$'000
Business expansion, including potential acquisitions, joint ventures, product development and research and development collaborations	7,000	335	6,665
Setting up of our integrated facility	3,000	3,000	-
General corporate and working capital purposes	3,552	1,073	2,479
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	-
<b>Gross proceeds from the Invitation</b>	<b>15,600</b>	<b>6,456</b>	<b>9,144</b>

The above utilisation is in accordance with the intended use of proceeds from the IPO as stated in the Offer Document.

### BY ORDER OF THE BOARD

**Lim See Wah**

Chairman and Chief Executive Officer

14 November 2019

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This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor, DBS Bank Ltd. ("Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

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

Media Release

## Hyphens Pharma's 3Q2019 net profit rose 51.5% to S\$1.8 million

- 3Q2019 revenue improved by 4.2% to S\$30.7 million due to overall revenue improvement in all 3 business segments
- 3Q2019 gross profit margin increased from 32.3% to 35.4%, in line with higher contribution from specialty pharma principals and proprietary brands
- 9M2019 net profit rose by 5.9% to S\$4.9 million despite slight revenue decrease by 4.7% over the same period to S\$86.7 million

Singapore, 14 November 2019 – Hyphens Pharma International Limited (“凯帆药剂国际有限公司”, “Hyphens Pharma”, or the “Company”, and together with its subsidiaries, the “Group”), Singapore’s leading specialty pharmaceutical and consumer healthcare group, is pleased to announce its third quarter (“3Q2019”) and nine months (“9M2019”) results ended 30 September 2019.

### Financial Highlights

The Group’s 3Q2019 revenue increased by 4.2% to S\$30.7 million from S\$29.4 million in the third quarter ended 30 September 2018 (“3Q2018”). The revenue increase in 3Q2019 was attributed to increased sales across all three business segments which contributed to the overall improvement, in particular, sales from the specialty pharma principals segment which increased by 6.0% in 3Q2019 as a result of higher demand in most of the geographical regions that the Group operates in. This was further complemented by increased sales of 8.3% in the proprietary brands segment due to higher sales of dermatological products under the **Ceradan®** brand, in line with the Group’s efforts to promote its proprietary brands.

However, the Group's 9M2019 revenue decreased slightly by 4.7% to S\$86.7 million from S\$91.0 million in the nine months ended 30 September 2018 ("**9M2018**"). The 9M2019 revenue decreased against 9M2018 mainly due to a decline of 10.5% in the Group's specialty pharma principals segment, as there was higher demand of specialty pharma products in 9M2018, ahead of product licensing renewals in Vietnam. This decline was partially offset by the increased sales in the proprietary brands and medical hypermart and digital segment segments of 5.7% and 2.1% in 9M2019 respectively.

Gross profit increased by 14.5% in 3Q2019 to S\$10.9 million (3Q2018: S\$9.5 million) and the gross profit margin in 3Q2019 improved by 3.1 percentage points to 35.4%, due to the higher proportion of revenue generated by the specialty pharma principals and proprietary brands segments, which enjoy relatively higher gross profit margins.

Gross profit increased by 1.0% in 9M2019 to S\$30.5 million (9M2018: S\$30.2 million) and the gross profit margin increased by 2.0 percentage points to 35.2% in 9M2019 (9M2018: 33.2%). The increase in gross profit margin in 9M2019 was mainly due to relatively higher sales contribution from Singapore.

S\$'mil	9M2019	9M2018	% Change	3Q2019	3Q2018	% Change
<b>Revenue</b>	86.7	91.0	(4.7)	30.7	29.4	4.2
<b>Gross Profit</b>	30.5	30.2	1.0	10.8	9.5	14.5
<b>Profit before tax</b>	5.9	5.8	1.8	2.2	1.4	54.2
<b>Profit after tax</b>	4.9	4.6	5.9	1.8	1.2	51.5

Distribution costs increased 15.4% to S\$6.2 million in 3Q2019 (3Q2018: S\$5.4 million) as the Group continued to engage in marketing activities and invest in strengthening its human capital.

Administrative expenses decreased by 2.9% to S\$2.4 million in 3Q2019 (3Q2018: S\$2.5 million) which was mainly attributed to lower R&D expenses.

As a result of the above, 3Q2019 net profit after tax in 3Q2019 increased by 51.5% to S\$1.8 million (3Q2018: S\$1.2 million). As at 30 September 2019, the Group's Net Asset Value per share was 14.12 Singapore cents, compared to 13.05 Singapore cents as at 31 December 2018.

**Mr Lim See Wah, (“林世华”), Executive Chairman and CEO of Hyphens Pharma** commented:

“Our marketing and branding efforts have helped us to gain more traction with consumers, as seen from the higher sales this quarter. As people's health needs and demands continue to increase, we will continue to innovate on our proprietary products and bring in more specialised products to our specialty pharma segment.”

### **Business Outlook**

The Group remains focused on further cementing its leadership position in Singapore and deepening its presence in the ASEAN region. The Group will continue to engage in brand building and marketing activities to gain market share for its products, especially for the two key brands in its proprietary brands business segments, **Ceradan®** and **Ocean Health®**. To support its growth strategy, the Group will continue to invest in its human talent.

As for product development, the Group's dermatological products such as **Ceradan® Advanced**, a patent-pending emollient with a skin pH buffering system built-in to maintain the skin barrier integrity for longer periods of time, and **TDF Faience® T-Complex**, a pigmentation cream using patented Xcelarev® technology, will continue to undergo clinical activities for further validation.

End.

## About Hyphens Pharma International Limited

(<https://www.hyphensgroup.com/>)

Hyphens Pharma International Limited and its subsidiaries (the "**Group**") is Singapore's leading specialty pharmaceutical and consumer healthcare group leveraging on its diverse footprint in ASEAN countries. The Group has a direct presence in Singapore, Vietnam, Malaysia, Indonesia and the Philippines, and is supplemented by a marketing and distribution network covering six additional jurisdictions, namely, Hong Kong, Myanmar, Brunei, Cambodia, Oman and Bangladesh.

Singapore is the Group's regional headquarters, where its strategic planning, finance, regulatory affairs, research and development, legal, business development and logistics operations are based. The Group's core business comprises the following segments: Specialty Pharma Principals, Proprietary Brands, and Medical Hypermart and Digital. Besides marketing and selling a range of specialty pharmaceutical products in selected ASEAN countries through exclusive distributorship or licensing and supply agreements with brand principals mainly from Europe and the United States, the Group also develops, markets and sells its own proprietary range of dermatological products and health supplement products. In addition, the Group operates a medical hypermart for healthcare professionals, healthcare institutions and retail pharmacies, to supply pharmaceutical products and medical supplies.

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Issued on behalf of the Company by Cogent Communications Pte Ltd.

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*This press release has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this press release.*

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