Issuer & Securities

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HYPHENS PHARMA INTERNATIONAL LIMITED

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Annual Reports and Related Documents

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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 attached Annual Report 2019.

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 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, Senior Vice President, who can be contacted at 12 Marina Boulevard, Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone: +65 6878 8888.

Additional Details

Period Ended

31/12/2019

Attachments

Hyphens-AR2019.pdf

Total size =6550K MB

HYPHENS PHARMA INTERNATIONAL LIMITED
ANNUAL REPORT 2019

INVESTING FOR GROWTH

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

We care for our customers and employees, fulfilling their needs and aspirations

Passion

We strive to be different by adopting innovation

Integrity

We are a reliable and ethical team

Ambition

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 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 2019, 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.

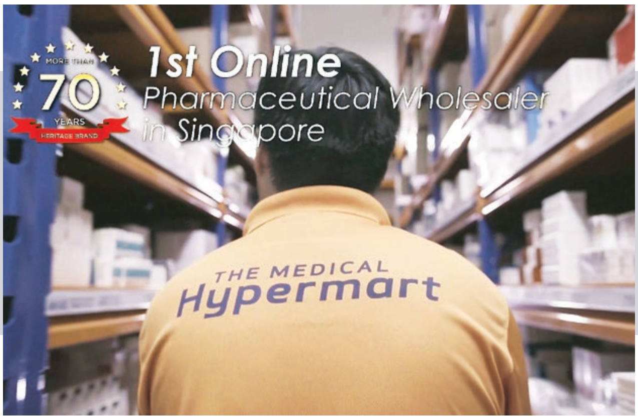
Our TDF® range is designed to improve facial skin health, with a focus on the management of oily and acne-prone skin, dehydrated and sensitive skin, ageing skin and hyperpigmentation. The products in our TDF® range include facial cleansers, moisturisers and sunscreens for various skin types, as well 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 Qoo10, Lazada, Redmart and Shopee.



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.

CHAIRMAN'S STATEMENT

"Our Group grew net profit by 21% in FY2019 and generated net operating cash flow of S$9.5 million. This gives us confidence to continue pursuing our growth strategy."

Dear Shareholders,

I am honoured to present to you the Group's ("Hyphens") annual report for the financial year ended 31 December 2019 ("FY2019"). FY2019 marks our first full year as a listed company on the Catalist Board of the Singapore Exchange ("SGX").

As I reflect on what happened in FY2019, it is evident that we live in a changing world. Today, turbulence and disruptions are the norm, be it the US-China trade dispute, Brexit, political changes in the region or social unrest. Despite the uncertain macro environment, we have been steadfast in executing our growth strategy. Our Group grew net profit by 21% in FY2019 and generated net operating cash flow of S$9.5 million. This gives us confidence to continue pursuing our growth strategy.

People – Talent Acquisition and Development

People form the core of our business as Singapore's leading specialty pharmaceutical and consumer healthcare group. We seek to continuously attract talents, as well as groom and nurture our people as we grow.

In 2019, we are delighted that Mrs Audrey Liow has accepted our invitation to join our Board as an Independent Non-Executive Director. She brings with her more than 30 years of consumer healthcare experience in Asia. We have also appointed Mr Yann Alain Marche as our Chief Operating Officer. He has vast experience in the global pharmaceutical industry, particularly in the area of skin health. His joining of the Group will strengthen our capability in pursuing growth particularly in the area of skin health and internationalisation.

Products – Expanding and Enhancing Hyphens' Offerings

Revenue of our Proprietary Brands segment has grown by 10% in 2019 and we have seen several milestones reached in the development of our Proprietary Brands business.

We have successfully developed and launched Ceradan® Advanced, a patent-pending next generation emollient designed to help sufferers of eczema. The product offers a unique ability to sustain the balancing of skin pH for up to 12 hours based on the Ceradan® 311 platform, a feature that confers benefit to the targeted users.

As the demand for Ceradan® grows, we have decided to develop the retail pharmacy channel. This is important to many of the eczema sufferers, as regular maintenance with emollients is medically recommended and having Ceradan® readily available in the major retail pharmacies will provide convenience and benefit many users.

2019

$119.4 million Revenue	**$6.5 million** Net Profit	**1 cent per share** Dividend

Fairence®, from our TDF® range, is a novel 2% tranexamic acid cream formulated with a patented delivery system, has also been launched. It is designed for patients with pigmentation problem.

We have invested, and will continue to invest into further clinical development of dermatological products. Such development will help to demonstrate the unique value proposition offered by these products.

One such development has led to a publication in an internationally recognised Journal of Cosmetic Dermatology in Jan 2020. It has demonstrated the superior efficacy of Fairence®'s delivery system in delivering the ingredient into the skin by up to 11 times more than a competitor product.

Innovation is at the heart of value creation. We will continue to leverage on the expertise of Singapore's Agency for Science, Technology and Research (A*STAR), as well as other collaboration partners, to drive our research and development ("R&D") efforts. Since entering into the memorandum of understanding ("MoU") with A*STAR's commercialisation arm, A*ccelerate, for skin-related product R&D, we have signed a Research Collaboration Agreement for a new hand cream development addressing the unmet needs of patients suffering from hand eczema.

The Ocean Health® range has had a major brand update in 2019. Today, the label design is much more contemporary with clearer information. The new packaging has been well received by the retailers and consumers alike. With this major effort now completed, it has paved the way for us to launch new products in the coming year.

In the Specialty Pharma Principals segment, we continue to seek novel products with growth opportunities. We have signed an exclusive distribution agreement with H. Lundbeck A/S Group to market and distribute its products in Vietnam. In addition, we have launched MAGNEZIX® implants by Syntellix AG in Vietnam. After Singapore, we have also launched D-Cure® in Malaysia, a prescription high dose vitamin D for the prevention and treatment of patients with vitamin D deficiency or who are at risk of vitamin D insufficiency. We will continue to pursue opportunities to bring in more specialty pharmaceutical products into our portfolio as our region remains attractive and Hyphens has the right capabilities for these companies to partner with.

Outreach to Investing Community

As a listed company, we appreciate the support from our shareholders. We are delighted to see both retail and institutional investors taking a greater interest in our developments. Therefore, we seek to consistently communicate and engage with our investing community. I am happy to report that Hyphens is currently covered by three equity research firms, namely RHB Securities Singapore, PhillipCapital and SAC Capital. We have actively participated in investor talks and meetings in the past year and will continue to engage the equity market through briefings, meetings, talks and forums when such opportunities arise.

Rewarding Shareholders and Acknowledgements

As a form of reward to our shareholders for their trusting support in Hyphens, the Board will be recommending a final dividend of 1 cent per share, which is subject to the approval of shareholders at our upcoming Annual General Meeting.

Last but not least, all our plans and efforts would not have been successful without the support of our stakeholders. I would like to thank our Board of Directors for their strategic counsel and guidance to Hyphens' management, especially in its fledgling stages as a listed company. I would also like to take the opportunity to thank all of our business associates, research partners, customers and staff for making FY2019 a year of growth for the Group.

Rest assured that with all of your support, we will continue to work hard to be the leading pharmaceutical and consumer healthcare group within the ASEAN region and beyond.

Lim See Wah
Chairman, Executive Director & CEO

2019 KEY EVENTS

MARCH

- Opened the integrated facility
- Signed MOU with A*STAR A*ccelerate
- Launched TDF® Fairence®

JULY

- Launched Ceradan® Advanced and extended Ceradan® to retail chain pharmacies
- Ocean Health revamped and unveiled new refreshed look
- RHB's first analyst report 'Hyphens Pharma: Undervalued and Under-Covered'

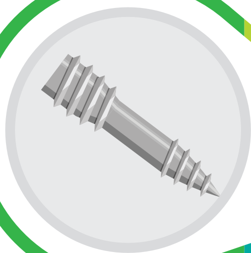
MAY

- In RHB Securities '20 Jewels 2019' Report
- Signed exclusive distribution agreement with Lundbeck for Vietnam market

OCTOBER

- PhillipCapital's first analyst report 'Leveraging on Trust with Doctors for Profitability'

JUNE



- First to introduce MAGNEZIX®, Syntellix's bioabsorbable metallic implants, to Vietnam

NOVEMBER

- SAC Capital's first analyst report 'Healthy Prospects in ASEAN'

OPERATIONS REVIEW

In FY2019, the Group commenced a series of strategic developments to reinforce our position as ASEAN's leading specialty pharmaceutical and consumer healthcare group as well as to strengthen our focus in skin health.

Investing in Our Proprietary Brands

The Group's Proprietary Brands segment grew by 9.9% in FY2019 to a revenue of S$14.5 million. The increase was mainly due to higher sales in dermatological products.

The Group launched a few premium dermatological products such as Ceradan® Advanced and TDF® Fairence®. Ceradan® Advanced comprises a new formula that is able to maintain a lower skin pH for up to 12 hours, as sustaining a mildly acidic skin pH is important to reduce symptoms associated with eczema-prone skin. Ceradan® Advanced is currently pending patent approval.

Following the introduction of Ceradan® Advanced in the medical channel, the existing Ceradan® range has been extended to retail pharmacy channel, such as Guardian, Watsons and Unity, to provide convenience to our users. This marketing outreach enables us to enhance brand awareness to consumers and gain more traction in the retail market space.

The Group has also recently published a skin penetration test result of TDF® Fairence® in the internationally recognised Journal of Cosmetic Dermatology. The published test result shows the efficacy of Fairence® patented delivery system, which is able to significantly enhance skin penetration and deliver the ingredient into the skin by up to 11 times more than a competitor product. We believe that more dermatologists would recognise the positive effects of Fairence® in the management of melasma.

In addition, the Group has revamped packaging for its Ocean Health® products, utilising environmentally friendly and recyclable materials. We will continue our efforts in developing and delivering innovative and high-quality health supplements to meet diverse needs of our customers. Ocean Health® has a pipeline of new supplements to be launched in FY2020.

The Group has also embarked on enhancing its digital marketing using social media to promote online branding of Ceradan® and Ocean Health®. We believe that this outreach will allow our brands to attract digitally savvy consumers and broaden our customer base.

Expanding Market Distribution

Specialty Pharma Principals segment is the largest contributor to the Group's revenue and profits. The Group remains focused on further cementing our leadership position in Singapore and deepening our presence in the ASEAN region.

After the successful introduction of D-Cure® in Singapore, the Group has also launched it in Malaysia. D-Cure® is used for the prevention and treatment of vitamin D deficiency. Similarly, we extended the marketing of Rupafin® oral solution to the Philippines in FY2019. Rupafin® oral solution is used for the treatment of allergic rhinitis and urticaria in children.

We continue to bring in new products to expand our specialty pharmaceutical portfolio. Apart from the exclusive distribution agreement with H. Lundbeck A/S Group for the marketing and distribution of products targeted at the treatment of disorders in the central nervous system, the Group has also launched MAGNEZIX® implants by Syntellix AG in Vietnam. MAGNEZIX® implants are used to keep broken pieces of bones together for healing and growth with its innovative characteristic that enables it to be dissolved and reabsorbed within the human body.

The second largest contributor, Medical Hypermart and Digital segment, grew revenue by 3.8% in FY2019 to S$39.8 million. We will continue to leverage on our broad customer network of clinics and pharmacies in the Singapore market. Concurrently, we will be exploring new digital business initiatives.

Driving Growth with Talent

In addition to Mr Yann Alain Marche joining Hyphens as its Chief Operating Officer, we continue to strengthen the Hyphens team through the attraction of talented individuals with the right expertise which are beneficial to the Group. As such, new members have been added into the executive team. These include:

- Marketing Director and Regional Product Managers, who will drive the skin health business;
- Senior Regional HR Manager, who will lead the recruitment of talents to cater to the needs and growth of the Group; and
- Associate E-Commerce & Digital Media Manager, who will drive e-commerce initiatives.

Having established a strong dermatology team in Singapore's headquarters, the Group will further build dedicated dermatology sales teams across the regions where Hyphens operates in.

Gearing Up Growth Momentum

As a leading specialty pharmaceutical and consumer healthcare group, growth is not only dependent on our relationships with customers, but also our emphasis on applied research and development ("R&D"). We have signed the memorandum of understanding with Agency for Science, Technology and Research's ("A*STAR") commercialisation arm, A*ccelerate, to carry out various R&D activities in the areas of product formulation, technology transfer and licensing, stability studies and in vitro and in vivo studies in the field of skin health.

We have also entered into a Research Collaboration Agreement with A*STAR's Institute of Chemical and Engineering Sciences to research and develop a new formulation for hand cream application. We will continue to delve into the area of applied R&D with licensing and research collaborations in dermatology.

The Group will continue to grow its sizable portfolio of specialty pharma principals' business products by licensing-in innovative and differentiated products. Besides solidifying our foothold in the countries and markets that we operate in, we will also explore new geographical markets. With its established footprint, the Group expects its business momentum to continue.

Furthermore, the Group will also scout for acquisition opportunities that will be synergistic to its operations and in alignment with its overall business goals.

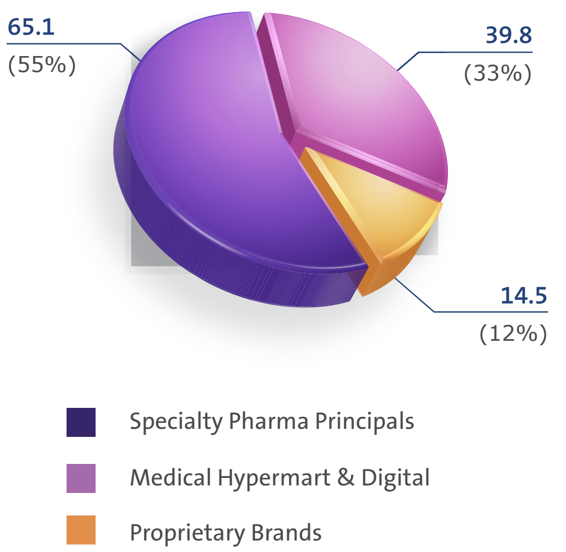
FINANCIAL HIGHLIGHTS

REVENUE (S$'MIL)

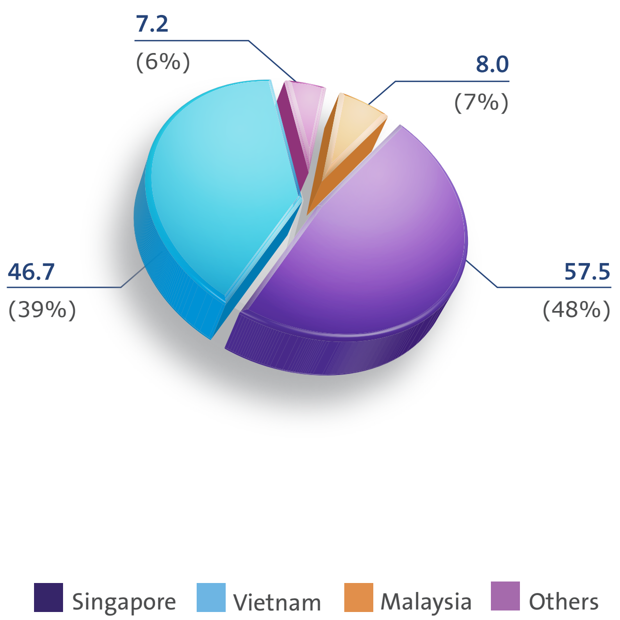
PROFIT, NET OF TAX (S$'MIL)

* Include IPO expense S$0.9 million

FY2019 REVENUE BY BUSINESS SEGMENT (S$'MIL)



FY2019 REVENUE BY GEOGRAPHY (S$'MIL)



FINANCIAL REVIEW

Review of Financial Performance

Revenue & Margin

The Group's revenue decreased by 1.2% or S$1.5 million from S$120.9 million in FY2018 to S$119.4 million in FY2019. There was a decline of 6.1% in the specialty pharma principals segment in FY2019 as there was higher demand in FY2018 from Vietnam, ahead of various product licensing renewals. The decline was partially offset by (i) increased sales of 9.9% 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 3.8% in the medical hypermart and digital segment attributed by revenue from tender awards.

Gross profit margin increased by 2.0% from 33.7% in FY2018 to 35.7% in FY2019, primarily due to higher sales contribution from Singapore, which included higher revenue mix from the proprietary brands segment which enjoys relatively higher gross profit margins and improved gross profit margin from the medical hypermart and digital segment.

Operating Expenses

Distribution costs increased by 14.3% or S$3.1 million from S$21.7 million in FY2018 to S$24.8 million in FY2019 due to increased advertising and promotional expenses and strengthening of human capital to support our long-term growth strategy.

Administrative expenses reduced by 6.2% or S$0.6 million from S$10.4 million in FY2018 to S$9.8 million in FY2019 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 decreased by 73.2% or S$1.3 million from S$1.8 million in FY2018 to S$0.5 million in FY2019 mainly due to absence of goodwill impairment, reduced allowance for inventories obsolescence, reduced foreign exchange translation losses, partially offset by higher inventories written off.

Profit for the Year

The Group's net profit after tax increased by 20.7% or S$1.1 million from S$5.4 million in FY2018 to S$6.5 million in FY2019, mainly due to increase in gross profit margin and reduced administrative expenses, and partially offset by higher distribution costs.

Review of Financial Position

Assets

The Group's non-current assets increased by S$2.1 million from S$11.4 million as at 31 December 2018 to S$13.5 million as at 31 December 2019, primarily due to recognition of right-of-use asset for the 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 right-of-use asset and amortisation of intangible assets of approximately S$2.0 million.

The Group's current assets increased by S$3.1 million from S$63.5 million as at 31 December 2018 to S$66.6 million as at 31 December 2019 mainly due to increase in inventories and cash and cash equivalents of S$0.6 million and S$3.8 million respectively, partially offset by decrease in trade and other receivables of S$1.2 million. The decrease in trade and other receivables was mainly due to decrease in trade receivables from Vietnam distributors, in line with reduced sales.

Liabilities

The Group's non-current liabilities increased by S$2.4 million from S$0.5 million as at 31 December 2018 to S$2.9 million as at 31 December 2019, primarily due to recognition of lease liabilities relating to the leased premise at the integrated facility.

The Group's current liabilities decreased by S$2.2 million from S$35.3 million as at 31 December 2018 to S$33.1 million as at 31 December 2019. This was mainly attributable to (i) decrease of S$0.2 million in trade and other payables and (ii) reduced net bank borrowings of S$2.7 million, partially offset by (iii) increase of S$0.7 million in lease liabilities relating to the leased premise at the integrated facility.

Review of Statement of Cash Flows

The Group generated net cash of S$9.5 million from operating activities in FY2019, mainly due to operating cash flows before changes in the working capital of S$9.9 million and net working capital inflows of S$0.9 million, offset by income taxes paid of S$1.4 million. The net working capital inflows were mainly due to (i) decrease in trade and other receivables of S$1.2 million, (ii) increase in trade and other payables of S$0.2 million, partially offset by (iii) increase in inventories of S$0.6 million.

Net cash flows used in investing activities during FY2019 amounted to S$0.5 million, mainly attributable to payment of final balance relating to the integrated facility, partially offset by interest income of S$0.2 million.

Net cash flows used in financing activities amounted to S$5.2 million during FY2019, mainly due to (i) dividend payment of S$1.7 million, (ii) net bank borrowings repayment of S$2.7 million and (iii) lease payment amounting to S$0.7 million.

SUSTAINABILITY REPORT & CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY STATEMENT

The Group has initiated the sustainability reporting process by seeking advice and engaging our stakeholders in the preparation of our inaugural Sustainability Report. Our first Sustainability Report will be released in the second quarter of FY2020 and will encompass the following key elements:

Anti-Corruption

We are committed to maintain a high standard of corporate governance to safeguard against fraud, thereby protecting the interests of all stakeholders and securing our long-term success. We place heavy emphasis on ethical business conduct on all employees, who are to uphold the code of conduct.

Employment

We strongly believe that our employees are the engines to drive our business operations and the key pillar of our long-term success. We strive to provide a fair and supportive work environment for all employees, regardless of age, gender or race. We believe in diversity and its ability to drive innovation and increase our competitive advantage.

We work to maintain a productive and healthy organisation by employing and developing talented people, continually strengthening our leadership, and enhancing employee performance through robust engagement.

Socioeconomic Compliance

Having good corporate governance and observing compliance with applicable socioeconomic laws and regulations are critical to our business. We commit ourselves to conduct the business with integrity and safeguard the interest of both internal and external stakeholders, in the regions where we operate.

CORPORATE SOCIAL RESPONSIBILITY

Medical Mission in Vietnam

Every year, our office in Vietnam embarks on a medical mission trip to various provinces of Vietnam, where we offer free health check-ups and dispense medicine to the ethnic communities.

In 2019, we visited Dak Duc Commune of Kon Tum Province, which is home to 30 ethnic groups. We sponsored the medicine and gifts, as well as provided logistics support. Together with Hoan My Da Nang Hospital, our efforts benefited about 500 villagers, including children.

SCAN TO SEE MORE PHOTOS

bit.ly/2019-med-mission

The Group also made donations to support charitable causes in Singapore, such as to the POSB Passion Kids Fund and National Arthritis Foundation.

Ocean HEALTH

NEW from Singapore's No.1* Omega-3 Brand

Dual 2x Action

With High Strength Omega-3 & Vitamin D3

Mini soft gel

Odourless with lemon flavour

Studies have linked Vitamin D deficiency with **increased susceptibility to infection**[2], **bone fractures risk, weak muscle strength** and some **chronic conditions**[3].
Achieve your daily intake now with **NEW Ocean Health HIGH STRENGTH OMEGA-3 & VITAMIN D3-ENRICHED.**

*Best-selling fish oil (Omega-3) supplement in major retail pharmacies from 2013-2018.

References: 1. Man R E K et al. Nutrients 2017. 2. Aranow C. J Investig Med 2011 Aug; 59(6): 881-886. 3. Meehan M et al. J Aging Gerontol 2014 Dec; 2(2):60-71

INVESTOR RELATIONS

Hyphens is committed to engaging with its shareholders and stakeholders. In FY2019, Hyphens held four results briefings, which were well attended by financial analysts and institutional investors. We have engaged in numerous one-on-one and group meetings with financial analysts, as well as existing and potential investors.

RHB Securities Singapore, PhillipCapital and SAC Capital have issued research reports on Hyphens in FY2019.

We also participated in the following institutional-initiated investment events:

Date	Event
17 January 2019	SGX-SIAS Corporate Connect
7 May 2019	RHB's 20 Jewels Launch
14 May 2019	SGX-Maybank Kim Eng Healthcare Corporate Day
16 May 2019	SGX-SIAS Corporate Connect
6 July 2019	Investor-One Stock Pitch Challenge Office Visit
27 August 2019	SGX-SAC Small/Mid Cap Corporate Day
21 November 2019	SGX-SAC Smart Series
22 November 2019	ShareInvestor Corporate Access Day

The Annual General Meeting ("AGM") is another platform for our management to interact with shareholders. The senior management has also been profiled by the media and the Company has been featured in various prints and broadcast media.

SGX-SAC Small/Mid Cap Corporate Day


SGX-SIAS Corporate Connect


Investor-One Stock Pitch Challenge Office Visit

1st Annual General Meeting

Ceradan®

Ceramide-dominant skin barrier repair cream

No. 1
TOP OF MIND BRAND
BY PRIVATE DERMATOLOGISTS[2]

Rebuild Your Skin's Protective Barrier

Clinically Proven

To prevent 1 in 2 eczema flares in SG children[1]

85% Prefer Ceradan Regimen[1]

3:1:1
CERAMIDE
DOMINANT
RATIO

Ceradan® Skin Barrier Repair Cream is a scientifically formulated ceramide-dominant moisturizer in 3:1:1 ratio of essential skin lipids (ceramide, cholesterol, free fatty acids). It is clinically proven to rebuild the skin's protective barrier, reduce symptoms and the incidence of flares in eczema-prone skin.[1]

References:
1. Koh M.J. 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. (Hidelb). 2017; 7: 383-393.
2. IQVIA Sep 2018 Recommendation Tracker

www.ceradan.com

BOARD OF DIRECTORS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1

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 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.

2

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.

3

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.

4

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.

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.

6

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 is a seasoned investment professional with more than ten years of experience in venture capital investments in biomedical sciences companies. From March 2017 to June 2018, he was 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, listed on the Australian Securities Exchange. From April 2004 to August 2016, he was with EDBI, a multi-billion corporate venture arm of the Singapore Economic Development Board, and has been involved in various therapeutics, medtech and healthcare services investments.

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.

5

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.

7

Ms Tan Seok Hoong @ Mrs Audrey Liow
Independent Director

Mrs Audrey Liow was appointed to our Board as Independent Director on 29 July 2019.

She has in-depth experience in marketing, management and operations in the food, nutrition, health and wellness industry. She retired in May 2018 as Chairman and CEO of Nestlé Indochina Region after spending 30 years with the Nestlé Group, where she has held various senior commercial and leadership roles in Singapore, China, Switzerland, and South East Asia.

Audrey is currently an Independent Director of Venture Corporation Limited and Heliconia Capital Management Pte Ltd. She is also a member of the Innovation Advisory Committee at Intellectual Property Intermediary and Vice Chairman on the Tanjong Katong Girls' School Advisory Committee.

She graduated from National University of Singapore ("NUS") with a Bachelor of Science. In 2014, she was awarded the Outstanding Science Alumni Award by NUS in recognition of her accomplishments and contributions. She has also attended the Leadership Program at London Business School, Executive Development Program at IMD and the Berkeley-Nanyang Advanced Management Program.

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 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.

Mr Yann Alain Marche
Chief Operating Officer

Mr Yann Alain Marche is responsible for overseeing our Specialty Pharma Principals and Proprietary Brands business segments.

He joined Hyphens in 2019 and has more than 27 years of extensive experience in the global pharmaceutical industry, specialising in dermatology, rheumatology and aesthetic business. Yann has developed his career progressively for over 18 years with Galderma, where he held key management positions, including Vice-President for Latin America.

His last role was at Laboratoires Expanscience as Senior Chief Operating Officer, managing operations and revenue growth in more than 50 countries, 16 subsidiaries and 400 collaborators.

Yann graduated with a Doctor in Pharmacy from the Université de Paris V, France. He has also taken part in Wharton's Essentials of Management at The Wharton School of the University of Pennsylvania in 2007 and the L'Oréal Management Program at CEDEP-INSEAD in Fontainebleau in 1996.

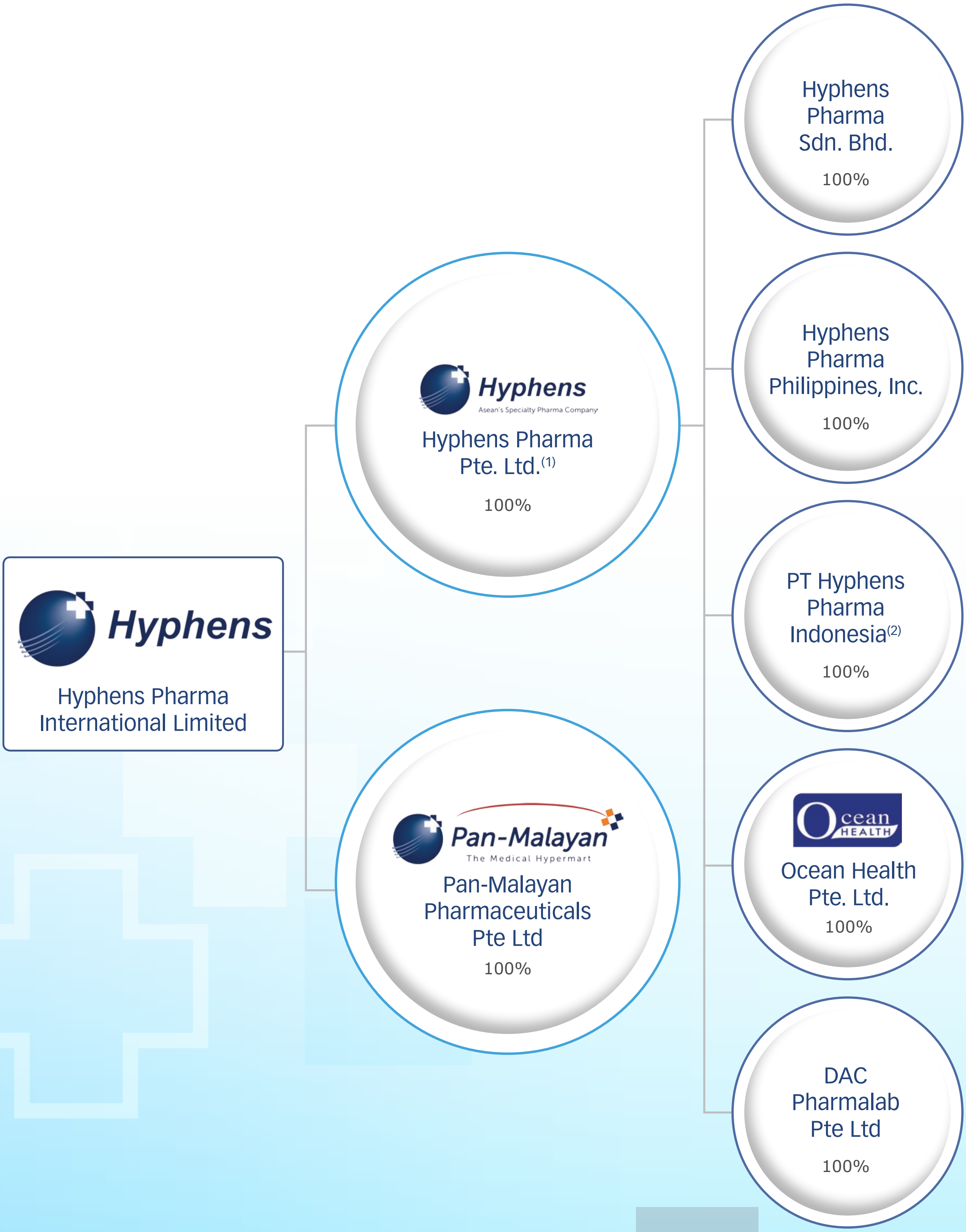
Ms Stella Ang
Head, Regulatory Affairs

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.

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).
(2) PT Hyphens Pharma Indonesia was incorporated on 16 March 2020.

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

Ms Tan Seok Hoong @ Mrs Audrey Liow
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.
Citibank, N.A. Singapore branch
Maybank Singapore Limited
The Hongkong and Shanghai Banking Corporation 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 2019 ("**FY2019**") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2018 (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 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.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The business and affairs of the Group are managed under the direction of the Board which works with Management to achieve long-term sustainable and successful performance. Directors are obliged to objectively discharge their duties and responsibilities at all times in the best interest of the Company. The Board sets the tone-from-the-top and has put in place a Code of Conduct and Ethics to guide all employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Apart from its statutory duties and responsibilities, the key functions of the Board are as follows:

- 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;
- To review management performance;
- To 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;
- To set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- To consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Matters requiring the Board's decision and approval include:

- The Group's strategic plans;
- Material investments, acquisitions and divestments of the Group;
- Major banking facilities and funding proposals;
- Annual budgets and financial plans of the Group, including capital expenditure;
- Annual and quarterly financial reports;

- Share issuance and recommendation of payment of dividends;
- Risk management strategies and execution;
- Interested party transactions;
- Appointment of directors and executive officers, including review of their performance and remuneration packages;
- Appointment and removal of the company secretary; and
- Any other matters required to be considered or approved by the Board as required by legislation or regulations.

To assist the Board in executing its responsibilities, the Board is supported by the Audit Committee, Nominating Committee and Remuneration Committee. 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.

The Company arranges 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 fund trainings for directors to develop and maintain their skills and knowledge. Relevant courses include seminars conducted by the Singapore Institute of Directors or other training institutes.

Directors attend and actively participate in Board and board committee meetings. 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 FY2019 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 in FY2019 is disclosed below:

Name of Directors	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Number of meetings attended								
Mr Lim See Wah	4	4	4[(b)]	4[(b)]	2[(b)]	2[(b)]	NA	NA
Mr Tan Chwee Choon	4	4	4[(b)]	4[(b)]	NA	NA	NA	NA
Dr Tan Kia King	4	4	4[(b)]	4[(b)]	2	2	NA	NA
Mr Heng Wee Koon	4	4	4	4	2	2	1	1
Mr Ng Eng Leng	4	2	4	2	NA	NA	1	1
Dr Poon Thong Yuen	4	4	4	4	2	2	1	1
Mrs Audrey Liow	2[(a)]	2[(a)]	2[(b)]	2[(b)]	NA	NA	NA	NA

Notes:

(a) Mrs Audrey Liow was appointed Director on 29 July 2019
(b) By invitation

Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the Company's expense.

Principle 2: Board Composition and Guidance

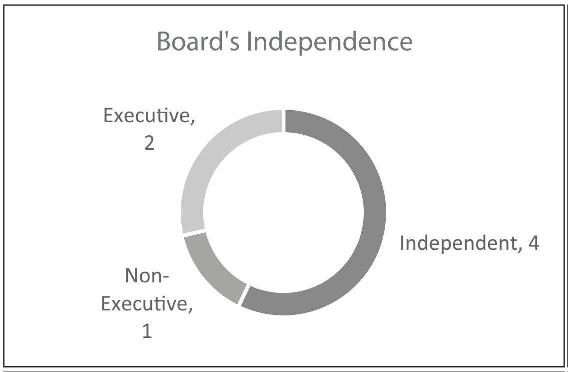
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

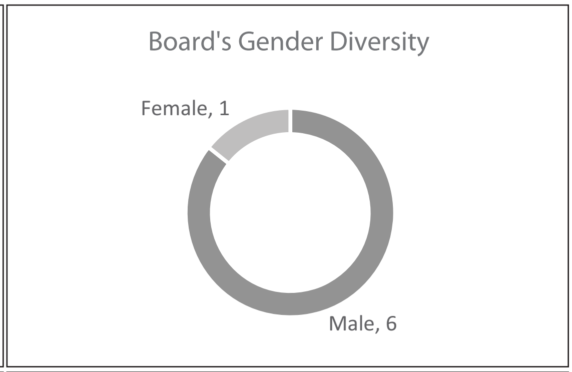
The Board currently comprises seven directors and the majority of whom are independent and non-executive directors.

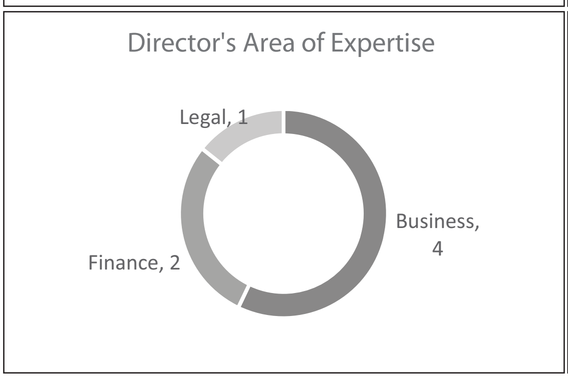
The criteria for independence are defined in the Code and the independence of each of the directors is reviewed by the Nominating Committee. In accordance with the Code, the Board considers an "independent" director as one who is independent in conduct, character and judgement, and has no relationship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

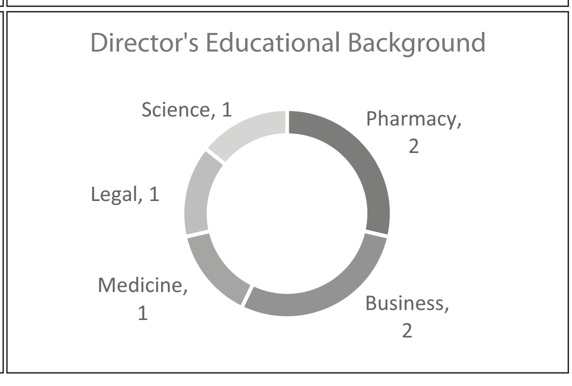
The Board has examined its size to determine the impact of the number upon effectiveness, and is of the view that the current Board size of seven directors is appropriate and facilitates effective decision-making, after taking into account the scope and nature of the operations of the Group.

In addition, the Nominating Committee reviews the Board composition annually to ensure that the Board comprises directors who as a group provide an appropriate balance and mix of skills, knowledge and experience and gender diversity so as to avoid groupthink and foster constructive debate so that the Group can benefit from their collective expertise. A snapshot of the Board's competency and diversity is as follows:









Independent directors, led by the Lead Independent Director, meet regularly without the presence of Management. The Lead Independent Director serves as chairman of such meetings and provides feedback to the Chairman accordingly.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Lim See Wah is both the Chairman and Chief Executive Officer ("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 majority of 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 communication with the Chairman or Management are inappropriate or inadequate.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Board has established a Nominating Committee ("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.

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 with reference to the Code of Corporate Governance and Catalist Rules;

(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 of the Board, its board committees and directors;

(f) reviewing succession plans for directors and key management personnel;

(g) reviewing the structure, size and composition (including skills, qualification, experience, core competencies, diversity) and knowledge of the Group that the Board requires to function competently and efficiently;

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

(i) 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

(j) 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 and 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. The NC ensures that new directors are aware of their duties and obligations.

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. Key information regarding directors, including their directorships in listed companies and principal commitments, is set out in the Annual Report under "Board of Directors".

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, 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 the following directors, Mr Tan Chwee Choon and Dr Tan Kia King, 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 Mrs Audrey Liow, Independent Director, who was appointed during the year, who will be retiring pursuant to Regulation 103 at the forthcoming AGM.

If re-elected as a director of the Company:

a) Mr Tan Chwee Choon will remain as an Executive Director of the Company;

b) Dr Tan Kia King will remain as a Non-Executive Director of the Company and a member of the NC; and

c) Mrs Audrey Liow will remain as an Independent Director of the Company.

Mrs Audrey Liow will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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 completed the evaluation forms which were collated by the Company Secretary, who then summarised the results of the evaluation and presented it to the NC. Recommendations for improvement were then submitted to the Board for discussion and for implementation in areas where the performance and effectiveness could be enhanced.

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 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.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Remuneration Committee ("RC") is established to review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC also reviews and recommends to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind. No director is involved in deciding his or her own remuneration.

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);

(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 FY2019.

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 RC considers all aspects of remuneration, including termination terms, to ensure they are fair.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The remuneration policy of the Group is designed to attract, retain and motivate executive directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for long-term growth. A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance so as to align with the interests of shareholders and promote the long-term success of the Group.

Non-executive directors receive directors' fees, in accordance with their level of contribution, taking into account factors such as effort, time spent, and responsibilities of the directors. Executive directors do not receive directors' fees. Directors' fees are recommended by the Board for approval by shareholders at the AGM.

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The remuneration bands of the Directors of the Company for FY2019 are as follows:

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

The framework for non-executive directors' fees remains unchanged from that of for the financial year ended 31 December 2018 ("**FY2018**") and is structured as follows:

Annual fees	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.

The remuneration bands of the top five key management personnel for FY2019 are as follows:

Name of key management personnel	Fixed Salary (%)	Variable Bonus (%)	Benefits-in-kind (%)	Share-based (%)	Total (%)
S$250,001 – S$500,000					
Mr Yann Alain Marche[(1)]	72%	23%	5%	–	100%
Mr John Leong[(2)]	55%	41%	–	4%	100%
Ms Fang Lee Wei	77%	19%	–	4%	100%
Mr David Lim	69%	27%	–	4%	100%
Mr Jason Yeo	79%	17%	–	4%	100%

(1) Appointed on 1 September 2019.
(2) Resigned on 24 November 2019.

The total remuneration paid to the above key management personnel for FY2019 was S$1,555,865.

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 Company also has in place long-term incentive schemes such as Hyphens Share Plan and Hyphens Employee 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. The Company has granted 430,400 shares awards under the Hyphens Share Plan in FY2019 and no share options have been granted since the commencement of the Employee Share Option Scheme.

Save for Mr Lim See Wah and Mr Tan Chwee Choon, no employee of the Group is a substantial shareholder of the Company or is an immediate family member of a director, the CEO or a substantial shareholder of the Company and whose remuneration exceeds S$100,000 during this financial year.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is assisted by the Audit Committee 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. The Group has appointed Nexia TS Risk Advisory Pte Ltd ("**Nexia TS**") to conduct annual review on the ERM framework.

For FY2019, the Group has appointed Nexia 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 subsidiary company in Malaysia. 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.

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 Chief Financial Officer ("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 the CEO and key management personnel have also provided assurance that the Group's risk management and internal control systems are adequate and 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 FY2019.

Principle 10: Audit Committee

The Board has an Audit Committee ("AC") which discharges its duties objectively.

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 the assurance provided by the CEO and CFO that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operation and finances;

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

(f) review the adequacy, effectiveness, independence, scope and results of the Company's internal and external functions 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;

(g) 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);

(h) ensure the company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns; and

(i) 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 Company has outsourced its internal audit function to Nexia TS and it reports primarily to the AC, which also decides on its appointment, termination and remuneration. Nexia TS has unfettered access to all the Group's documents, records, properties and personnel, including the AC, and has appropriate standing within the Group. The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

The AC has met the external auditors and internal auditors, in each case without the presence of management, in February 2019 and November 2019 respectively.

The AC has reviewed all non-audit services provided by the external auditors and they would not, in the AC's opinion, affect the independence of the auditors.

The Company confirms compliance with Rules 712 and 715 of the Catalist Rules in the appointment of its external auditors.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

The Company ensures that there are separate resolutions at general meetings on each substantially separate issue. For greater transparency, the Company puts all resolutions to vote by poll and detailed results of the number of votes cast for and against each resolution and the respective percentages are presented and announced on the same day. Independent scrutineers are appointed to conduct the voting process and verify votes after each resolution.

Directors, external auditors and senior management are present and available to address shareholders' queries at general meetings. All of the directors attended the last AGM held on 26 April 2019. Minutes of meetings for the forthcoming AGM will be published on www.hyphensgroup.com.

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 one Singapore cent per share, which represents a dividend payout of 46.0% of the Group's FY2019 net profits for shareholders' approval at the forthcoming AGM.

Going forward, the Company aims to pay a sustainable and growing dividend of at least 30% of the Group's net profits attributable to shareholders, in line with its long-term growth prospect. In determining the form, frequency and amount of dividends to recommend or declare in each particular year or period, the Board will take into account various factors, including but not limited to, earnings, cash flow requirements, plans for expansion, availability of distributable reserves.

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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 its Annual Report, quarterly financial results, major developments and other price sensitive information on SGXNET in a timely manner to ensure investors are kept abreast of the Group's developments. These documents are also made available on the Company's corporate website at www.hyphensgroup.com.

The Company has in place an investor relations policy and a corporate website which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. Shareholders may contact the Company with questions on Hyphens corporate website and the Company's investor relations team will address them accordingly.

Hyphens is proactive in engaging the investment community through participation in various investor relations activities, such as presentations to institutional investors, retail investors and trading representatives of brokerage firms as well as one-on-one or small group meetings. Presentation decks are posted on SGXNET and the Company's corporate website to ensure fair and open communications with all our stakeholders. For more details on our investor relations activities, please refer to page 14.

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified stakeholders as those who have an interest in the Group and can either affect or be affected by the Group's business and operations. These stakeholders include employees, customers, suppliers, investors, government and regulators as well as the community.

The Company engages its stakeholders through various communication channels. The Group holds regular townhall meetings and events to engage with our employees in each country; our sales and marketing teams interact frequently with our customers and suppliers to better align mutual business interests; investor relations activities to engage investors have been discussed above; we strive to be a good corporate citizen with regular consultations with various government agencies; and we participate in several social and community events to connect with the general public.

Stakeholders can learn more about the Group from the websites of the Company and its subsidiaries.

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 FY2019.

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.

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 FY2019.

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	594	6,406
Setting up of our integrated facility	3,000	3,000	–
General corporate and working capital purposes	3,552	1,191	2,361
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	–
Gross proceeds from the Invitation	**15,600**	**6,833**	**8,767**

Non-Sponsor Fees

The continuing sponsor of the Company is DBS Bank Ltd. (the "**Sponsor**"). In FY2019, there were no non-sponsor fees paid to the Sponsor (FY2018: S$812,600 were paid to the Sponsor for acting as the Issue Manager, Underwriter and Placement Agent for the Company's IPO).

FINANCIAL CONTENTS

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 2019.

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
Ng Eng Leng
Poon Thong Yuen
Tan Seok Hoong @ Mrs Audrey Liow (appointed on 29 July 2019)

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	–	–	196,214,640	196,214,640
Tan Kia King	–	–	196,214,640	196,214,640
Tan Chwee Choon	43,785,360	43,785,360	–	–
Inomed Holding Pte Ltd (Ultimate parent company)				
Lim See Wah	78,445	78,445	–	–
Tan Kia King	50,000	50,000	–	–

3. Directors' interests in shares and debentures (cont'd)

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 2020 were the same as those at the end of the reporting year.

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.

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

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.

During the reporting year, the Company has granted share awards to eligible employees of the Group by the allotment and issuance of an aggregate of 430,400 ordinary shares ("New Shares") in the capital of the Company pursuant to the Hyphens Share Plan. The New Shares granted shall have a sale restriction moratorium period of 2 years from the date of grant, 15 May 2019. See also Note 22 of the financial statements.

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

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.

7. Report of audit committee (cont'd)

- 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.

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 2019.

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 26 February 2020, 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

25 March 2020

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 2019, 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 2019 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 26D for the breakdown of trade receivables and credit risk of the Group respectively.

Key audit matter

The carrying amount of trade receivables amounted to $27,507,000 which accounted for approximately 34% 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.

Key audit matters (cont'd)

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

Key audit matter (cont'd)

The gross amount of trade receivables past due over 90 days amounted to $1,478,000. Allowance for impairment of trade receivables made was $220,000. Management is of the view that the remaining amounts are recoverable, based on their knowledge of the customers' payment history and credit worthiness.

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 2019. 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 CGUs and a suitable discount rate in order to calculate present value of the recoverable amount of each CGU. 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.

Key audit matters (cont'd)

(b) *Assessment of impairment of goodwill (cont'd)*

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 rates 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.

(c) *Revenue recognition and consignment arrangements*

Please refer to Note 2A "Revenue recognition" 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 relevant 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.

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.

Auditor's responsibilities for the audit of the financial statements (cont'd)

(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.

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

25 March 2020

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	Group 2019 $'000	Group 2018 $'000
Revenue	5	119,442	120,930
Cost of sales		(76,773)	(80,125)
Gross profit		42,669	40,805
Other income and gains	6	546	279
Distribution costs	7	(24,837)	(21,736)
Administrative expenses	9	(9,772)	(10,422)
Finance costs	10	(138)	(129)
Other losses	6	(481)	(1,797)
Profit before tax from continuing operations		7,987	7,000
Income tax expense	11	(1,457)	(1,590)
Profit from continuing operations for the year		6,530	5,410
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(52)	67
Other comprehensive (loss) / income for the year, net of tax		(52)	67
Total comprehensive income		6,478	5,477
Earnings per share		**Cents**	**Cents**
Earnings per share currency unit			
Basic and Diluted			
Continuing operations	12	2.17	1.95

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Non-current assets					
Plant and equipment	14	5,948	3,464	167	197
Intangible assets	15	7,462	7,764	–	–
Investment in subsidiaries	16	–	–	19,220	19,220
Deferred tax assets	11	105	210	–	–
Total non-current assets		13,515	11,438	19,387	19,417
Current assets					
Inventories	17	11,431	10,863	–	–
Trade and other receivables	18	28,654	29,833	6,325	6,759
Prepayments		366	492	60	41
Cash and cash equivalents	19	26,165	22,353	12,468	10,980
Total current assets		66,616	63,541	18,853	17,780
Total assets		80,131	74,979	38,240	37,197
EQUITY AND LIABILITIES					
Equity					
Share capital	20	32,641	32,555	32,641	32,555
Retained earnings		26,467	21,587	4,912	3,768
Other reserves	21	(15,032)	(14,980)	–	–
Total equity		44,076	39,162	37,553	36,323
Non-current liabilities					
Deferred tax liabilities	11	469	502	–	–
Other financial liabilities, non-current	24	2,442	–	–	–
Total non-current liabilities		2,911	502	–	–
Current liabilities					
Income tax payable		1,459	1,480	–	8
Trade and other payables	23	30,628	30,835	687	866
Other financial liabilities, current	24	1,057	3,000	–	–
Total current liabilities		33,144	35,315	687	874
Total liabilities		36,055	35,817	687	874
Total equity and liabilities		80,131	74,979	38,240	37,197

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

Group	Total equity $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000
Current year:				
Opening balance at 1 January 2019	39,162	32,555	21,587	(14,980)
Changes in equity:				
Total comprehensive income for the year	6,478	–	6,530	(52)
Issuance of new shares pursuant to share awards under Hyphens Share Plan (Note 22)	86	86	–	–
Dividends paid (Note 13)	(1,650)	–	(1,650)	–
Closing balance at 31 December 2019	44,076	32,641	26,467	(15,032)
Previous year:				
Opening balance at 1 January 2018	18,835	1,526	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 initial public offering ("IPO")	15,600	15,600	–	–
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)

Company	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2019	36,323	32,555	3,768
Changes in equity:			
Total comprehensive income for the year	2,794	–	2,794
Issuance of new shares pursuant to share awards under Hyphens Share Plan (Note 22)	86	86	–
Dividends paid (Note 13)	(1,650)	–	(1,650)
Closing balance at 31 December 2019	37,553	32,641	4,912
Previous year:			
Opening balance at 1 January 2018	5	5	–
Changes in equity:			
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Group	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Profit before tax	7,987	7,000
Adjustments for:		
Amortisation of intangible assets	406	392
Depreciation of plant and equipment	1,599	439
Interest income	(157)	(54)
Interest expense	138	129
Loss on disposal of plant and equipment	4	60
Loss on disposal of subsidiary	1	–
Impairment loss on goodwill	–	993
Expenses in connection with IPO	–	920
Net effect of exchange rate changes in consolidating foreign operations	(54)	68
Operating cash flows before changes in working capital	9,924	9,947
Trade and other receivables	1,179	(6,058)
Prepayments	126	(247)
Inventories	(568)	2,315
Trade and other payables	198	2,734
Net cash flows from operations	10,859	8,691
Income taxes paid	(1,406)	(1,155)
Net cash flows from operating activities	9,453	7,536
Cash flows from investing activities		
Purchase of plant and equipment	(502)	(3,334)
Purchase of intangible assets	(104)	(44)
Interest received	157	54
Net cash flows used in investing activities	(449)	(3,324)
Cash flows from financing activities		
Gross proceeds from issuance of new shares pursuant to IPO	–	15,605
IPO expenses paid	–	(1,670)
Dividends paid to equity owners	(1,650)	(7,000)
Payment of principal portion of lease liabilities	(704)	–
Interest paid	(138)	(129)
Repayment of borrowings	(2,700)	(4,383)
Proceeds from borrowings	–	3,425
Net cash flows (used in) / from financing activities	(5,192)	5,848
Net increase in cash and cash equivalents	3,812	10,060
Cash and cash equivalents, statements of cash flows, beginning balance	22,353	12,293
Cash and cash equivalents, statement of cash flows, ending balance (Note 19)	26,165	22,353

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

1. General

Hyphens Pharma International Limited (the "Company") is a public limited company incorporated and domiciled in Singapore. The Company is 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 directors have the power to amend and reissue financial statements.

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, Singapore 534138.

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").

1. General (cont'd)

Restructuring Exercise (cont'd)

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

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.

1. General (cont'd)

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.

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.

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 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.

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

2A. Significant accounting policies (cont'd)

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.

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.

Share-based compensation

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

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.

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

2A. Significant accounting policies (cont'd)

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.

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.

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

2A. Significant accounting policies (cont'd)

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, including right-of-use assets	-	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.

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.

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as plant and equipment.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs).

Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

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

2A. Significant accounting policies (cont'd)

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.

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.

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

2A. Significant accounting policies (cont'd)

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.

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.

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

2A. Significant accounting policies (cont'd)

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.

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): There were no financial assets classified in this category at reporting year end date.

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.

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

2A. Significant accounting policies (cont'd)

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.

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.

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

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.

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.

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

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

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.

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.

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

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	
	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	2,547	2,196

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

	Group	
	2019 $'000	2018 $'000
Remuneration of directors of the Company	809	902
Fees to directors of the Company	182	167

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.

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	
	2019 **$'000**	**2018** **$'000**
Company		
Other receivables:		
At beginning of the year – net debit	6,277	–
Amounts paid out and settlement of liabilities on behalf of subsidiaries	213	3,000
Amounts paid in and settlement of liabilities on behalf of the Company	–	(223)
Dividend income receivable	3,000	3,500
Dividend income received	(3,500)	–
At end of the year – net debit	5,990	6,277
Presented in the statement of financial position as follows:		
Other receivables (Note 18)	6,000	6,500
Other payables (Note 23)	(10)	(223)
At end of the year – net debit	5,990	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.

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.

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment										
Total revenue by segment	65,152	69,409	14,474	13,167	39,816	38,354	–	–	119,442	120,930
Total revenue	65,152	69,409	14,474	13,167	39,816	38,354	–	–	119,442	120,930
Recurring EBITDA	6,168	7,197	1,013	925	3,400	1,921	(451)	(1,090)	10,130	8,953
Finance costs	–	–	–	–	–	–	(138)	(129)	(138)	(129)
Impairment of goodwill	–	–	–	(993)	–	–	–	–	–	(993)
Depreciation and amortisation	(33)	(30)	(373)	(362)	–	–	(1,599)	(439)	(2,005)	(831)
Profit / (loss) before tax	6,135	7,167	640	(430)	3,400	1,921	(2,188)	(1,658)	7,987	7,000
Income tax expense									(1,457)	(1,590)
Profit, net of tax									6,530	5,410

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

4C. Assets and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total assets for reportable segments	21,490	24,219	13,476	12,723	11,539	9,985	–	–	46,505	46,927
Unallocated:										
Plant and equipment	–	–	–	–	–	–	5,948	3,464	5,948	3,464
Prepayments	–	–	–	–	–	–	366	492	366	492
Cash and cash equivalents	–	–	–	–	–	–	26,165	22,353	26,165	22,353
Other receivables	–	–	–	–	–	–	1,147	1,743	1,147	1,743
Total Group assets	21,490	24,219	13,476	12,723	11,539	9,985	33,626	28,052	80,131	74,979

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

4D. Liabilities and reconciliation

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total liabilities for reportable segments	16,375	18,200	2,730	3,063	10,419	8,962	–	–	29,524	30,225
Unallocated:										
Income tax payable	–	–	–	–	–	–	1,459	1,480	1,459	1,480
Financial liabilities	–	–	–	–	–	–	3,499	3,000	3,499	3,000
Trade and other payables	–	–	–	–	–	–	1,573	1,112	1,573	1,112
Total Group liabilities	16,375	18,200	2,730	3,063	10,419	8,962	6,531	5,592	36,055	35,817

4E. Other material items and reconciliation

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Allowance for impairment on trade receivables and inventories (reversal) / loss	(136)	397	314	89	143	24	–	–	321	510
Expenditures for non-current assets	–	–	104	44	–	–	4,086	3,334	4,190	3,378

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

4F. Geographical information

	Revenue		Non-current assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Singapore	57,499	53,861	13,279	11,143
Vietnam	46,713	52,717	73	17
Malaysia	8,028	7,677	24	24
Others	7,202	6,675	34	44
Total	119,442	120,930	13,410	11,228

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	
	2019 $'000	2018 $'000
Top 1 customer in specialty and proprietary segments	19,052	24,778
Top 2 customers in specialty and proprietary segments	32,883	40,616
Top 3 customers in specialty and proprietary segments	43,457	51,529

5. Revenue

	Group	
	2019 $'000	2018 $'000
Sale of goods	118,537	120,128
Commission income	341	354
Marketing services fees and advertisement	312	383
Other revenue	252	65
Total revenue	119,442	120,930

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.

6. Other income and gains and (other losses)

	Group	
	2019 $'000	2018 $'000
Foreign exchange adjustments losses	(95)	(234)
Impairment allowance on inventories obsolescence	–	(397)
Inventories written off	(379)	(111)
Allowance for impairment on trade receivables – reversal / (loss)	60	(1)
Bad debts written off	(2)	(1)
Impairment allowance on intangibles – goodwill	–	(993)
Government grant	329	225
Interest income	157	54
Loss on disposal of plant and equipment	(4)	(60)
Loss on disposal of subsidiary	(1)	–
Net	65	(1,518)
Presented in profit or loss as:		
Other income and gains	546	279
Other losses	(481)	(1,797)
Net	65	(1,518)

7. Distribution costs

The major components and other selected components include the following:

	Group	
	2019 $'000	2018 $'000
Employee benefits expense (Note 8)	10,686	10,283
Advertising and promotional expenses	7,292	5,653

8. Employee benefits expense

	Group	
	2019 $'000	**2018 $'000**
Short-term employee benefits expense	13,658	13,403
Contributions to defined contribution plans	1,497	1,473
Other benefits	282	262
Total employee benefits expense	15,437	15,138
Employee benefits expense is charged to profit or loss and included in:		
– Distribution costs (Note 7)	10,686	10,283
– Administrative expenses (Note 9)	4,698	4,572
– Cost of sales	53	283
Total employee benefits expense	15,437	15,138

9. Administrative expenses

The major components and other selected components include the following:

	Group	
	2019 $'000	**2018 $'000**
Employee benefits expense (Note 8)	4,698	4,572
Rental expense (Note 24B)	320	1,410
Expenses in connection with IPO	–	920
Research and development expense	178	615

10. Finance costs

	Group	
	2019 $'000	**2018 $'000**
Interest expense	21	129
Interest on lease liabilities (Note 24B)	117	–
Total finance costs	138	129

11. Income tax

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

	Group	
	2019 $'000	2018 $'000
Current tax expense:		
Current tax expense	1,531	1,469
(Over) / under adjustment in respect of prior periods	(146)	74
Sub-total	1,385	1,543
Deferred tax expense:		
Deferred tax expense	72	47
Sub-total	72	47
Total income tax expense	1,457	1,590

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% (2018: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019 $'000	2018 $'000
Profit before tax	7,987	7,000
Income tax expense at the above rate	1,358	1,190
Effect of different tax rates in different countries	109	64
Expenses not deductible for tax purposes	291	472
Effect of partial tax exemption and tax relief	(169)	(208)
(Over) / under adjustment of prior periods	(146)	74
Other minor items less than 3% each	14	(2)
Total income tax expense	1,457	1,590

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

11. Income tax (cont'd)

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

	Group	
	2019 $'000	**2018 $'000**
Mergers and acquisitions allowance carryforwards	105	105
Difference in amortisation of intangible assets	(59)	(60)
Excess of book value of plant and equipment over tax values	26	2
Total deferred tax expense	72	47

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

	Group	
	2019 $'000	**2018 $'000**
From deferred tax assets (liabilities) recognised in profit or loss:		
Mergers and acquisitions allowance carryforwards	105	210
Fair value of intangible assets [a]	(395)	(454)
Excess of book value of plant and equipment over tax values	(74)	(48)
Net balance	(364)	(292)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(469)	(502)
Deferred tax assets	105	210
Net balance	(364)	(292)

[a] The balance arose from acquisition of subsidiaries.

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	
	2019 $'000	2018 $'000
Numerators: profit attributable to equity:		
Continuing operations: attributable to equity holders	6,530	5,410
	'000	'000
Denominators: weighted average number of ordinary shares:		
Pre-invitation share capital	–	240,000
At 1 January	300,000	–
Effect of shares issued on 15 May 2019 (2018: 18 May 2018)	271	37,315
At 31 December	300,271	277,315
Basic and diluted earnings per share		
Continuing operations	2.17	1.95

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.

13. Dividends on equity shares

	2019 $'000	2018 $'000
Dividends declared and paid during the reporting year:		
Final exempt (1-tier) dividends paid of 0.55 cent (2018: $Nil) per share	1,650	–
Proposed dividends on ordinary shares:		
Final exempt (1-tier) dividends proposed of 1.00 cent (2018: 0.55 cent) per share	3,004	1,650

Proposed dividends on ordinary shares are subject to approval by shareholders at the annual general meeting and are not recognised as a liability as at 31 December. The proposed dividend is payable in respect of all ordinary shares in issue at the end of 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 2018	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
Recognition of right-of-use assets on initial application of SFRS(I) 16	3,858	–	(274)	–	3,584
Adjusted balance at 1 January 2019	3,955	989	3,234	141	8,319
Additions	299	95	108	–	502
Disposals	(22)	(51)	(107)	–	(180)
Foreign exchange adjustments	–	–	–	4	4
At 31 December 2019	4,232	1,033	3,235	145	8,645
Accumulated depreciation:					
At 1 January 2018	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
Depreciation for the year	846	160	583	10	1,599
Disposals	(20)	(51)	(105)	–	(176)
Foreign exchange adjustments	–	–	–	3	3
At 31 December 2019	859	751	957	130	2,697
Carrying value:					
At 1 January 2018	32	286	262	50	630
At 31 December 2018	64	347	3,029	24	3,464
At 31 December 2019	3,373	282	2,278	15	5,948

14. Plant and equipment (cont'd)

Company	Hardware and software $'000	Fixtures and equipment $'000	Total $'000
Cost:			
At 1 January 2018	–	–	–
Additions	–	207	207
At 31 December 2018	–	207	207
Additions	2	14	16
At 31 December 2019	2	221	223
Accumulated depreciation:			
At 1 January 2018	–	–	–
Depreciation for the year	–	10	10
At 31 December 2018	–	10	10
Depreciation for the year	1	45	46
At 31 December 2019	1	55	56
Carrying value:			
At 1 January 2018	–	–	–
At 31 December 2018	–	197	197
At 31 December 2019	1	166	167

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

The right-to-use assets have been included in plant and equipment. The details are as follows:

	Group Plant and equipment $'000
Cost:	
At 1 January 2019 and 31 December 2019	3,858
Accumulated depreciation and impairment losses:	
At 1 January 2019	–
Depreciation for the year	798
At 31 December 2019	798
Carrying value:	
At 1 January 2019	3,858
At 31 December 2019	3,060

14. Plant and equipment (cont'd)

The right-of-use assets for operating leases in existence at 1 January 2019 include initial direct costs.

The lease is for office and warehouse facilities. The lease contract is for fixed period of 5 years. The lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions, and leased assets which have subsequently been sub-leased). For property leases management has elected to measure the right-of-use assets as if the new standard had been applied since 1 January 2019 by using the incremental borrowing rate at 1 January 2019. The right-of-use assets are set equal to the lease liabilities on the date of initial application.

Operating lease payments represent rentals payable by the Group for office space. The lease rental terms are negotiated for an average term of five years (2018: three years).

15. Intangible assets

	Group	
	2019 $'000	2018 $'000
Goodwill (Note 15A)	4,851	4,851
Distribution rights and trademarks (Note 15B)	2,611	2,913
	7,462	7,764

15A. Goodwill

	Group	
	2019 $'000	2018 $'000
Cost:		
Balance at beginning and end of the year	5,844	5,844
Accumulated impairment:		
Balance at beginning of the year	993	–
Impairment loss recognised in the year included in other losses	–	993
At end of the year	993	993
Carrying value at end of the year	4,851	4,851

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 2019 $'000	Group 2018 $'000
Name of subsidiaries:		
Pan-Malayan Pharmaceuticals Pte Ltd [a]	80	80
Ocean Health Pte Ltd [b]	4,771	4,771
Carrying value at end of the year	4,851	4,851

[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") and DAC Pharmalab Pte Ltd ("DAC Pharmalab"). 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. 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 **Valuation technique and unobservable inputs** **Discounted cash flow method:**	**Range (weighted average) 2019**	**Range (weighted average) 2018**
Estimated discount rates using post-tax rates that reflect current market assessments at the risks specific to the CGU	11.7%	11.3%
Revenue growth rates	3% - 5%	4% - 5%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years	5 years

15. Intangible assets (cont'd)

15A. Goodwill (cont'd)

Management forecasts the terminal growth rate at 1.4% (2018: 2.0%) per annum.

Actual outcomes could vary from these estimates. If the revised estimated revenue growth at the end of the reporting year had been 1% (2018: 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 $430,000 (2018: $1,296,000). If the revised estimated post-tax discount rate applied to the discounted cash flows had been 2.5% (2018: 0.5%) less favourable than management's estimates, there would be a need to reduce the carrying value of goodwill by $76,000 (2018: $490,000). 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 2018	4,080
Additions	44
At 31 December 2018	4,124
Additions	104
At 31 December 2019	4,228
Accumulated amortisation:	
At 1 January 2018	819
Amortisation for the year	392
At 31 December 2018	1,211
Amortisation for the year	406
At 31 December 2019	1,617
Carrying value:	
At 1 January 2018	3,261
At 31 December 2018	2,913
At 31 December 2019	2,611

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

16. Investment in subsidiaries

	Company 2019 $'000	Company 2018 $'000
Movements during the year. At cost:		
Cost at beginning of the year	19,220	–
Acquisitions	–	19,220
Cost at end of the year	19,220	19,220
Total cost comprising:		
Unquoted equity shares at cost	19,220	19,220
Net book value of subsidiaries	27,168	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 2019 $'000	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	16,686
Pan-Malayan Pharmaceuticals Pte Ltd [a]	Singapore	Wholesale of pharmaceutical and medical supplies and digital business services	2,534	2,534
Held through Hyphens Pharma Pte. Ltd.:				
Hyphens Pharma Philippines, Inc. [b] [c]	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 products and 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. [d]	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) 5 common shares are held by 5 individuals as nominees for Hyphens Pharma Pte Ltd.

(d) The subsidiary was struck off on 18 April 2019.

17. Inventories

	Group	
	2019 $'000	2018 $'000
Raw materials and supplies	1,157	805
Finished goods and goods for resale [(a)]	10,274	10,058
	11,431	10,863
Inventories are stated after allowance. Movement in allowance:		
At beginning of the year	637	471
Charge to profit or loss included in other losses	–	397
Used	(171)	(231)
At end of the year	466	637
The amount of inventories included in cost of sales	72,417	73,757
The inventories written off charged to profit or loss included in other losses	379	111

There are no inventories pledged as security for liabilities.

(a) Included in finished goods and goods for resale are inventories under consignment with distributors amounted to $242,000 (2018: $1,200,000)

18. Trade and other receivables

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables:				
Outside parties	27,727	28,371	–	–
Less allowance for impairment	(220)	(281)	–	–
Subsidiaries (Note 3)	–	–	325	248
Net trade receivables – subtotal	27,507	28,090	325	248
Other receivables:				
Staff advances	16	9	–	–
Deposits to secure services	565	1,214	–	–
Subsidiaries (Note 3)	–	–	6,000	6,500
Goods and services tax receivables	289	493	–	11
Other receivables	277	27	–	–
Other receivables – subtotal	1,147	1,743	6,000	6,511
Total trade and other receivables	28,654	29,833	6,325	6,759

18. Trade and other receivables (cont'd)

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Movements in above allowance:				
At beginning of the year	281	280	–	–
(Reversed) / charge for trade receivables to profit or loss included in other (gains) / losses	(60)	1	–	–
Used	(1)	–	–	–
At end of the year	220	281	–	–

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 are 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 $13,070,000 (2018: $20,327,000).

18. Trade and other receivables (cont'd)

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

The age analysis of non-related party gross trade receivables past due is as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Past due less than 30 days	6,735	2,285	–	–
Past due 30 to 60 days	3,697	2,129	–	–
Past due 60 to 90 days	2,527	1,914	–	–
Past due over 90 days	1,698	1,716	–	–
Total	14,657	8,044	–	–

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Past due over 90 days	220	281	–	–

The allowance on trade receivables is based on individual accounts totalling $220,000 (2018: $281,000) 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 (2018: 30 to 90 days). But some customers take a longer period to settle the amounts.

There were no related party 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 is 4 (2018: 5).

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Top 1 customer	4,954	6,631	269	196
Top 2 customers	9,815	11,515	325	248
Top 3 customers	13,698	15,184	–	–

18. Trade and other receivables (cont'd)

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not restricted in use	26,165	22,353	12,468	10,980

The rates of interest for the cash on interest earning balances ranged between 0.32% and 2% (2018: 0.45% and 2%) per annum.

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

20. Share capital

	Group		Company	
	Number of shares		Number of shares	
	'000	$'000	'000	$'000
Ordinary shares of no par value:				
At beginning of the year 1 January 2018	1,288	1,526	5	5
Issuance of shares pursuant to the acquisition of subsidiaries as part of the Restructuring Exercise (a)	995	17,700	995	17,700
Shares subdivision (b)	239,000	–	239,000	–
Share swap pursuant to the Restructuring Exercise	(1,283)	(1,521)	–	–
Issuance of new shares pursuant to IPO (c)	60,000	15,600	60,000	15,600
Capitalisation of IPO expenses (c)	–	(750)	–	(750)
At end of the year 31 December 2018	300,000	32,555	300,000	32,555
Issuance of new shares pursuant to share awards under Hyphens Share Plan (d)	430	86	430	86
At end of the year 31 December 2019	300,430	32,641	300,430	32,641

(a) 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.

20. Share capital (cont'd)

(b) 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.

(c) 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, of which $750,000 has been capitalised against share capital while the remaining amount of $920,000 has been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(d) On 15 May 2019, the Company issued and allotted 430,400 ordinary shares to eligible employees of the Group as share awards pursuant to the Hyphens Share Plan.

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. Adjusted capital comprises all components of equity (that is, share capital and reserves).

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	
	2019	2018
	$'000	$'000
Merger reserve (Note 21A)	(15,165)	(15,165)
Foreign currency translation reserves (Note 21B)	133	185
Total	(15,032)	(14,980)

21. Other reserves (cont'd)

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 on Restructuring Exercise.

21B. Foreign currency translation reserves

	Group	
	2019	**2018**
	$'000	**$'000**
At beginning of the year	185	118
Exchange differences on translating foreign operations	(52)	67
At end of the year	133	185

22. Share-based payment

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.

The Company has granted share awards to eligible employees of the Group by the allotment and issuance of an aggregate of 430,400 ordinary shares ("New Shares") in the capital of the Company pursuant to the Hyphens Share Plan. The New Shares are with no vesting period and have a sale restriction moratorium period of 2 years from the date of grant, 15 May 2019.

The New Shares were issued at fair value of $0.20 per share at the grant date.

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.

23. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	30,042	30,566	665	639
Trade payables – subtotal	30,042	30,566	665	639
Other payables:				
Subsidiary (Note 3)	–	–	10	223
Other payables	586	269	12	4
Other payables – subtotal	586	269	22	227
Total trade and other payables	30,628	30,835	687	866

24. Other financial liabilities

	Group	
	2019	2018
	$'000	$'000
Non-current:		
Lease liabilities (Note 24B)	2,442	–
Total non-current portion	2,442	–
Current:		
Lease liabilities (Note 24B)	757	–
Short-term revolving loans (unsecured) (Note 24A)	300	3,000
Total current portion	1,057	3,000
Total non-current and current	3,499	3,000

The ranges of floating interest rates paid were as follows:

	Group	
	2019	2018
	%	%
Short-term revolving loans (unsecured)	3.8% to 4.0%	3.6% to 3.9%

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

24. Other financial liabilities (cont'd)

24A. Short term revolving loans

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

3) Need to comply with certain financial covenants.

4) Certain subsidiaries in the Group remain fully owned by the Group.

24B. Lease liabilities

The Group leases office and warehouse facilities. The leases typically run for a period between two to five years, with an option to renew the lease after that date. Lease payments are renegotiated upon expiry to reflect market rentals. The Group has elected not to recognise right-of-use assets and lease liabilities for the shorter tenure office leases.

The Group leases IT equipment with contract terms of three to five years. These leases are short-term and low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Lease liabilities are presented in the statement of financial position as follows:

	Group 2019 $'000
Lease liabilities, current	757
Lease liabilities, non-current	2,442
	3,199

Movements of lease liabilities for the reporting year are as follows:

	Group 2019 $'000
Total lease liabilities recognised at 1 January 2019 on adoption of SFRS(I) 16 Leases	3,903
Accretion of interest	117
Lease payments – principal portion paid	(704)
Interest paid	(117)
Total lease liabilities at 31 December 2019	3,199

The new standard on leases has been applied using the modified retrospective transition approach. Therefore, no comparative amounts for the year ended 31 December 2018 are presented.

24. Other financial liabilities (cont'd)

24B. Lease liabilities (cont'd)

The lease liabilities above do not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liabilities and the right-of-use assets. The right-of-use assets are disclosed in Note 14.

On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was 3.8% per year. The right-of-use assets and lease liabilities are measured at the same amounts as under the new standard on the date of initial application.

Reconciliation of lease commitments and lease liability at the date of initial application:

	Group 2019 $'000
Operating lease commitments as at 31 December 2018	4,557
Relief option for leases of low value assets	(359)
Subtotal - Operating lease liabilities before discounting	4,198
Discounted using incremental borrowing rate	(295)
Total lease liabilities at 1 January 2019	3,903

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

Group 2019	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Not later than one year	846	(89)	757
Between 1 to 3 years	1,812	(79)	1,733
Between 3 to 5 years	719	(10)	709
Total	3,377	(178)	3,199

Total cash outflow for leases for the year ended 31 December 2019 are shown in the statement of cash flows.

At reporting year date there were no commitments on leases which had not yet commenced.

24. Other financial liabilities (cont'd)

24B. Lease liabilities (cont'd)

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	Group 2019 $'000
Expenses relating to short-term leases included in administrative expenses	298
Expenses relating to leases of low-value assets included in administrative expenses	22
Total commitments on short-term leases at year end date	302

25. 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.

	Reference currency	Principal '000s	'000s	Fair value 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.

26. Financial instruments: information on financial risks

26A. 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets:				
Financial assets at amortised cost	54,819	52,186	18,793	17,739
At end of the year	54,819	52,186	18,793	17,739
Financial liabilities:				
Financial liabilities at amortised cost	34,127	33,835	687	866
At end of the year	34,127	33,835	687	866

Further quantitative disclosures are included throughout these financial statements.

26B. 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.

26C. 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.

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

26D. 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.

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

26E. 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 90 days (2018: 80 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	Less than 1 year $'000	1 - 3 years $'000	3 - 5 years $'000	Total $'000
Non-derivative financial liabilities:				
2019:				
Trade and other payables	30,628	–	–	30,628
Gross borrowings commitments	300	–	–	300
Gross lease liabilities	846	1,812	719	3,377
At end of the year	31,774	1,812	719	34,305
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

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

26E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Company	Less than 1 year	1 - 3 years	3 - 5 years	Total
	$'000	$'000	$'000	$'000
Non-derivative financial liabilities:				
2019:				
Trade and other payables	687	–	–	687
At end of the year	687	–	–	687
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	
	2019	2018
	$'000	$'000
Undrawn borrowing facilities	18,393	10,768

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.

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

26F. 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	
	2019	2018
	$'000	$'000
Financial liabilities with interest:		
Fixed rates	3,199	–
Floating rates	300	3,000
Total at end of year	3,499	3,000

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.

26G. 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	US Dollar	Euro	Vietnam Dong	Others	Total
	$'000	$'000	$'000	$'000	$'000
2019:					
Financial assets:					
Cash and cash equivalents	2,081	1,624	26	111	3,842
Loan and receivables	6,134	4,374	–	1,248	11,756
Total financial assets	8,215	5,998	26	1,359	15,598
Financial liabilities:					
Trade and other payables	(6,826)	(5,857)	(2,630)	(215)	(15,528)
Total financial liabilities	(6,826)	(5,857)	(2,630)	(215)	(15,528)
Net financial assets / (liabilities) at end of the year	1,389	141	(2,604)	1,144	70

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

26G. Foreign currency risk (cont'd)

Group	US Dollar	Euro	Vietnam Dong	Others	Total
	$'000	$'000	$'000	$'000	$'000
2018:					
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

There is no significant foreign currency risk at the Company's level.

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

Sensitivity analysis:

	Group 2019	Group 2018
	$'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 effect on pre-tax profit of	(139)	(75)
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	(14)	(647)
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	260	229
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	(114)	(168)

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.

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

26G. Foreign currency risk (cont'd)

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.

27. 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:

	Group	
	2019	2018
	$'000	$'000
Audit fees to the independent auditor of the Company	119	128
Audit fees to the other independent auditors	16	12
Other fees to the independent auditor of the Company, in connection with the IPO during the reporting year [(a)]	–	102
Other fees to the independent auditor of the Company, including its affiliated firms [(b)]	122	101

(a) Exclude IPO expenses of $47,000 capitalised against share capital in 2018 (Note 20); 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 in 2018 (Note 14).

28. Events after the end of the reporting year

Subsequent to the end of the reporting year, the Group has incorporated PT Hyphens Pharma Indonesia (PT Hyphens) with a share capital of IDR 2.5 billion which is equivalent to $242,000. PT Hyphens is an indirect wholly owned subsidiary of the Company with 99.6% shareholdings held through Hyphens Pharma Pte. Ltd. and 0.4% held through Ocean Health Pte. Ltd.

There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020. These uncertainties could impact the Group's operations and may affect the impairment or recoveries of certain assets. As the situation is still evolving, the full effect of the outbreak is still uncertain. It is however reasonably possible that COVID-19 will have an adverse impact on the Group's revenues and results for the next reporting year, the extent of which will depend on how long the outbreak lasts.

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 except as disclosed in Notes 24 and 31.

SFRS (I) No.	Title
SFRS (I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs

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. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Amendments	1 January 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 January 2020

31. Changes in accounting policies and restatements of comparative figures

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 lessee almost all leases are 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. Thus, the entity has recognised 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 amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed in Note 24 to the financial statements. The reporting entity elected to apply the modified retrospective approach for this standard new standard on leases. Under the modified retrospective approach, the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2020

SHARE CAPITAL

Number of Issued Shares	:	300,430,400
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	67	6.26	55,100	0.02
1,001 - 10,000	655	61.21	3,062,100	1.02
10,001 - 1,000,000	340	31.78	22,217,800	7.39
1,000,001 AND ABOVE	8	0.75	275,095,400	91.57
TOTAL	1,070	100.00	300,430,400	100.00

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 11 March 2020, approximately 19.75% 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.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2020

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	INOMED HOLDING PTE LTD	196,214,640	65.31
2	TAN CHWEE CHOON	43,785,360	14.57
3	CITIBANK NOMINEES SINGAPORE PTE LTD	14,271,000	4.75
4	BPSS NOMINEES SINGAPORE (PTE.) LTD.	10,000,400	3.33
5	DBS NOMINEES (PRIVATE) LIMITED	3,855,400	1.28
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,572,700	1.19
7	PHILLIP SECURITIES PTE LTD	2,349,400	0.78
8	RAFFLES NOMINEES (PTE.) LIMITED	1,046,500	0.35
9	SAW TZE CHOON	810,000	0.27
10	LIM CHER KHIANG	657,800	0.22
11	MAYBANK KIM ENG SECURITIES PTE.LTD	556,800	0.19
12	GAN KAH ANN ANDREW	500,000	0.17
13	IFAST FINANCIAL PTE. LTD.	462,100	0.15
14	UOB KAY HIAN PRIVATE LIMITED	450,100	0.15
15	OCBC SECURITIES PRIVATE LIMITED	418,500	0.14
16	CHOW YUEN KOU	400,000	0.13
17	SIN GUAN HENG	400,000	0.13
18	TAN WEI XIN MICHELLE	400,000	0.13
19	ONG POH LIM @ ONG PAO LIM	386,000	0.13
20	LIM SEA LEANG	370,000	0.12
	TOTAL	280,906,700	93.49

Substantial shareholders as at 11 March 2020

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	65.31
2.	Lim See Wah	–	196,214,640	196,214,640	65.31
3.	Tan Kia King	–	196,214,640	196,214,640	65.31
4.	Tan Chwee Choon	43,785,360	–	43,785,360	14.57

* Percentage is calculated based on the total number of issued ordinary shares as at 11 March 2020

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.

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