

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::THIRD QUARTER RESULTS

Issuer & Securities

Issuer/ Manager

HYPHENS PHARMA INTERNATIONAL LIMITED

Securities

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Announcement Details

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Lim See Wah

Designation

Executive Chairman and Chief Executive Officer

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

Please refer to the attached results and press release.

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

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

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Additional Details

For Financial Period Ended

30/09/2020

Attachments

[Hyphens results 3Q2020 Final.pdf](#)

[Hyphens Q3FY2020 Results Press Release.pdf](#)

Total size = 1514K MB

HYPHENS PHARMA INTERNATIONAL LIMITED

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

**Unaudited Financial Statements
 For the Third Quarter and Period Ended 30 September 2020**
PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS
1(a)(i) A statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year
Consolidated Statements of Profit or Loss and Other Comprehensive Income

	3Q2020	3Q2019	Change	9M2020	9M2019	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	31,436	30,699	2.4%	93,076	86,705	7.3%
Cost of sales	(21,089)	(19,826)	6.4%	(61,624)	(56,208)	9.6%
Gross profit	10,347	10,873	-4.8%	31,452	30,497	3.1%
Other income and gains	459	246	86.6%	1,699	341	398.2%
Distribution costs	(6,325)	(6,190)	2.2%	(18,698)	(17,258)	8.3%
Administrative expenses	(2,537)	(2,395)	5.9%	(7,253)	(7,245)	0.1%
Finance costs	(26)	(32)	-18.8%	(77)	(106)	-27.4%
Other losses	(865)	(293)	195.2%	(921)	(305)	202.0%
Profit before tax	1,053	2,209	-52.3%	6,202	5,924	4.7%
Income tax expense	(206)	(408)	-49.5%	(1,073)	(1,059)	1.3%
Profit, net of tax	847	1,801	-53.0%	5,129	4,865	5.4%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations, net of tax	6	(6)	N.M.	(80)	(33)	142.4%
Other comprehensive income/(loss) for the period, net of tax:	6	(6)	N.M.	(80)	(33)	142.4%
Total comprehensive income	853	1,795	-52.5%	5,049	4,832	4.5%

Note: N.M. – Not meaningful

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

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

	3Q2020	3Q2019	Change	9M2020	9M2019	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	(61)	(35)	74.3%	(134)	(102)	31.4%
Government grants	(397)	(13)	2953.8%	(1,484)	(137)	983.2%
Depreciation and amortisation	519	506	2.6%	1,527	1,496	2.1%
Allowance/(Reversal of allowance) for impairment of trade receivables	-	24	N.M.	(7)	(63)	-88.9%
Bad debts written off	-	-	N.M.	-	2	N.M.
Allowance for inventories obsolescence	565	60	841.7%	691	10	6810.0%
Inventories written off	83	207	-59.9%	230	289	-20.4%
Foreign exchange translation losses/(gains)	217	(198)	N.M.	(70)	(39)	79.5%
Overprovision of tax in respect of prior years	(24)	-	N.M.	(20)	(52)	-61.5%
(Gain)/Loss on disposal of plant and equipment	(1)	2	N.M.	(4)	4	N.M.
R&D expenses	160	9	1677.8%	225	100	125.0%

Note: N.M. – Not meaningful

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

	Group		Company	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	5,038	5,948	134	167
Intangible assets	7,979	7,462	-	-
Deferred tax assets	74	105	-	-
Investment in subsidiaries	-	-	19,220	19,220
Total non-current assets	13,091	13,515	19,354	19,387
<u>Current assets</u>				
Inventories	19,273	11,431	-	-
Trade and other receivables	32,979	28,654	4,344	6,325
Prepayments	661	366	56	60
Cash and cash equivalents	22,505	26,165	11,482	12,468
Total current assets	75,418	66,616	15,882	18,853
Total assets	88,509	80,131	35,236	38,240
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	32,641	32,641	32,641	32,641
Retained earnings	28,592	26,467	1,775	4,912
Other reserves ⁽ⁱ⁾	(15,112)	(15,032)	-	-
Total equity	46,121	44,076	34,416	37,553
<u>Non-current liabilities</u>				
Deferred tax liabilities	425	469	-	-
Other financial liabilities, non-current	1,837	2,442	-	-
Total non-current liabilities	2,262	2,911	-	-
<u>Current liabilities</u>				
Income tax payable	1,826	1,459	-	-
Trade and other payables	37,093	30,628	820	687
Other financial liabilities, current	1,207	1,057	-	-
Total current liabilities	40,126	33,144	820	687
Total liabilities	42,388	36,055	820	687
Total equity and liabilities	88,509	80,131	35,236	38,240

Note:

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

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

	30 Sep 2020		31 Dec 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	-	410	-	300
Amount repayable after one year	-	-	-	-
	-	410	-	300

Details of any collaterals:

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

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

	3Q2020	3Q2019	9M2020	9M2019
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Cash flows from operating activities</u>				
Profit before tax	1,053	2,209	6,202	5,924
Adjustments for:				
Amortisation of intangible assets	99	98	299	295
Depreciation of plant and equipment	420	408	1,228	1,201
Interest income	(61)	(35)	(134)	(102)
Interest expense	26	32	77	106
(Gain)/Loss on disposal of plant and equipment	(1)	2	(4)	4
Net effect of exchange rate changes in consolidating foreign operations	-	(6)	(112)	(33)
Operating cash flows before changes in working capital	1,536	2,708	7,556	7,395
Trade and other receivables	(3,360)	(2,036)	(4,325)	1,852
Prepayments	253	(78)	(295)	199
Inventories	(2,820)	(2,589)	(7,842)	(2,115)
Trade and other payables	2,086	2,687	6,465	178
Net cash flows from operations	(2,305)	692	1,559	7,509
Income taxes paid	(496)	(392)	(719)	(1,271)
Net cash flows (used in)/from operating activities	(2,801)	300	840	6,238
<u>Cash flows from investing activities</u>				
Purchase of plant and equipment	(37)	(316)	(320)	(432)
Proceeds from sale of plant and equipment	1	-	7	-
Purchase of intangible assets	(192)	(2)	(816)	(24)
Interest received	61	35	134	102
Net cash flows used in investing activities	(167)	(283)	(995)	(354)
<u>Cash flows from financing activities</u>				
Dividend paid to equity owners	-	-	(3,004)	(1,650)
Payment of lease liabilities	(189)	(175)	(565)	(525)
Interest paid	(26)	(32)	(77)	(106)
Net (decrease)/increase in other financial liabilities	(400)	-	141	(2,500)
Net cash flows used in financing activities	(615)	(207)	(3,505)	(4,781)
Net (decrease)/increase in cash and cash equivalents	(3,583)	(190)	(3,660)	1,103
Cash and cash equivalents at beginning of period	26,088	23,646	26,165	22,353
Cash and cash equivalents at ending of period	22,505	23,456	22,505	23,456

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

Group	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000	Other reserves S\$'000
Balance as at 1 January 2020	44,076	32,641	26,467	(15,032)
Dividends paid	(3,004)	-	(3,004)	-
Total comprehensive income for the period	5,049	-	5,129	(80)
Balance as at 30 September 2020	46,121	32,641	28,592	(15,112)

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

Company	Total equity S\$'000	Share capital S\$'000	Retained earnings S\$'000
Balance as at 1 January 2020	37,553	32,641	4,912
Dividends paid	(3,004)	-	(3,004)
Total comprehensive loss for the period	(133)	-	(133)
Balance as at 30 September 2020	34,416	32,641	1,775

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

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

There has been no change in the Company's share capital since 30 June 2020.

The Company has no treasury shares or convertible instruments as at 30 September 2020 and 30 September 2019.

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

The Company has no treasury shares as at 30 September 2020 and 31 December 2019.

The total number of issued shares as at 30 September 2020 was 300,430,400 (31 December 2019: 300,430,400).

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

Not applicable

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

Not applicable

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

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

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

Not applicable

- 3(a) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion**

Not applicable

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

Save as disclosed in Section 5 below, the accounting policies and methods of computation adopted in the financial statements for the reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 2019.

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

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I)s ("SFRS(I)INT") that are effective for the financial periods beginning on or after 1 January 2020. The adoption of these SFRS(I)s and SFRS(I)INT did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

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

	3Q2020	3Q2019	9M2020	9M2019
Earnings per share ("EPS")				
Profit attributable to owners of the Company (S\$'000)	847	1,801	5,129	4,865
Based on weighted average number of ordinary shares in issue ('000)	300,430	300,218	300,430	300,218
On a basic and diluted basis (Singapore cents per share)	0.28	0.60	1.71	1.62

Note: The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 September 2020 and 30 September 2019.

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

	Group		Company	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Net asset value ("NAV") (S\$'000)	46,121	44,076	34,416	37,553
Based on number of ordinary shares in issue ('000)	300,430	300,430	300,430	300,430
NAV per ordinary share (Singapore cents per share)	15.35	14.67	11.46	12.50

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

Consolidated Statement of Comprehensive Income

3Q2020 compared to 3Q2019

	3Q2020	3Q2019	Change	9M2020	9M2019	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue by business segments						
Specialty pharma principals	16,956	16,900	0.3%	48,364	46,370	4.3%
Proprietary brands	4,411	3,589	22.9%	13,578	10,653	27.5%
Medical hypermart and digital	10,069	10,210	-1.4%	31,134	29,682	4.9%
	31,436	30,699	2.4%	93,076	86,705	7.3%

	3Q2020	3Q2019	Change	9M2020	9M2019	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue by geographical locations						
Singapore	15,321	14,679	4.4%	46,150	42,844	7.7%
Vietnam	12,622	12,012	5.1%	34,346	33,283	3.2%
Malaysia	1,760	2,283	-22.9%	5,816	5,651	2.9%
Others	1,733	1,725	0.5%	6,764	4,927	37.3%
	31,436	30,699	2.4%	93,076	86,705	7.3%

Consolidated Statement of Comprehensive Income (cont'd)

3Q2020 compared to 3Q2019 (cont'd)

Revenue

The Group's revenue increased by 2.4% or S\$0.7 million from S\$30.7 million in 3Q2019 to S\$31.4 million in 3Q2020.

The increase in revenue was led by higher sales in the proprietary brands segment which grew by 22.9% due to higher demand for dermatological products under Ceradan® brand and nutritional supplements under Ocean Health® brand.

Gross profit

Gross profit decreased by 4.8% or S\$0.5 million from S\$10.9 million in 3Q2019 to S\$10.4 million in 3Q2020.

Gross profit margin for 3Q2020 dropped to 32.9% (3Q2019: 35.4%) with lower margins across all business segments, especially from the medical hypermart and digital segment.

Other income and gains

Other income and gains increased by 86.6% or S\$0.2 million from S\$0.2 million in 3Q2019 to S\$0.4 million in 3Q2020 due to higher government grants (mainly from the Jobs Support Scheme).

Distribution costs

Distribution costs increased by 2.2% or S\$0.1 million from S\$6.2 million in 3Q2019 to S\$6.3 million in 3Q2020, in line with the increase in revenue.

Administrative expenses

Administrative expenses increased by 5.9% or S\$0.1 million from S\$2.4 million in 3Q2019 to S\$2.5 million in 3Q2020 due to higher R&D costs.

Other losses

Other losses increased by 195.2% or S\$0.6 million from S\$0.3 million in 3Q2019 to S\$0.9 million in 3Q2020 mainly due to higher allowance for inventories obsolescence and foreign exchange loss, partially offset by lower inventories written off. Allowance for inventories obsolescence of S\$0.6m was made in relation to:

- (a) S\$0.1m on specialty pharma inventories in the Philippines due to poor demand as a result of an extended period of lockdown,
- (b) S\$0.2m on medical hypermart inventories due to low demand for some items which have short shelf life, such as flu vaccines, and
- (c) S\$0.3m on diagnostic test kits for COVID-19, under the medical hypermart segment.

The Group had placed prepayments to secure orders of COVID-19 diagnostic test kits during the Circuit Breaker period to sell in the Singapore market, in anticipation of widespread testing in private clinics as Singapore gradually opens up. It was later determined that testing for COVID-19 will entirely be centrally managed, resulting in a lack of private market demand in Singapore. The Group is now working with a partner to sell the test kits overseas. Given the short shelf life and non-saleability in Singapore, the above provision was made. As of 30 September 2020, the Group had made provision of S\$0.3 million under other losses with a total carrying value of inventories and prepayment for the test kits of S\$0.2 million remaining on the books. Depending on the ability of the Group to sell the test kits overseas and the eventual selling price that can be procured, additional provisions may be required.

Consolidated Statement of Comprehensive Income (cont'd)

3Q2020 compared to 3Q2019 (cont'd)

Profit before tax

Profit before tax decreased by 52.3% or S\$1.1 million from S\$2.2 million in 3Q2019 to S\$1.1 million in 3Q2020, mainly due to higher expenses as explained above.

Income tax expense

Income tax expense for 3Q2020 was S\$0.2 million lower than 3Q2019 because of lower profits for the period.

Profit after tax

As a result of the foregoing, the Group's net profit after tax decreased by 53.0% or S\$1.0 million, from S\$1.8 million in 3Q2019 to S\$0.8 million in 3Q2020.

9M2020 compared to 9M2019

Revenue

The Group's revenue increased by 7.3% or S\$6.4 million from S\$86.7 million in 9M2019 to S\$93.1 million in 9M2020.

All three business segments contributed to the revenue increase. In particular, the proprietary brands segment led the growth with 27.5% increase in revenue due to higher demand for dermatological products under Ceradan® brand and nutritional supplements under Ocean Health® brand. Sales of the specialty pharma principals and the medical hypermart and digital segments increased by 4.3% and 4.9% respectively in 9M2020.

Gross profit

Gross profit increased by 3.1% or S\$1.0 million from S\$30.5 million in 9M2019 to S\$31.5 million in 9M2020.

Gross profit margin for 9M2020 dropped to 33.8% (9M2019: 35.2%) with lower margin from the medical hypermart and digital segment partly due to S\$0.4 million write down of personal protective equipment ("PPE") to net realisable value in view of increased market competition. The PPE was purchased in 2Q2020 at high cost when there was a global shortage of supply but since then, prices have dropped considerably.

Other income and gains

Other income and gains increased by 398.2% or S\$1.4 million from S\$0.3 million in 9M2019 to S\$1.7 million in 9M2020 due to higher government grants (mainly from the Jobs Support Scheme).

Distribution costs

Distribution costs increased by 8.3% or S\$1.4 million from S\$17.3 million in 9M2019 to S\$18.7 million in 9M2020 due to increased advertising and promotional expenses and higher staff costs due to the strengthening of our human capital to support our long-term growth strategy.

Administrative expenses

Administrative expenses for 9M2020 were comparable with 9M2019 at S\$7.2 million despite increased R&D costs due to an absence of non-recurring expenses such as the official opening of our new facility and the overlapping rental and retrofitting costs of our old premises in 1Q2019.

Consolidated Statement of Comprehensive Income (cont'd)

9M2020 compared to 9M2019 (cont'd)

Other losses

Other losses increased by 202.0% or S\$0.6 million from S\$0.3 million in 9M2019 to S\$0.9 million in 9M2020 mainly due to higher allowance for inventories obsolescence made for reasons as explained above.

Profit before tax

Profit before tax increased by 4.7% or S\$0.3 million from S\$5.9 million in 9M2019 to S\$6.2 million in 9M2020 albeit higher revenue and other income because of higher allowance for inventories obsolescence as explained above.

Income tax expense

Income tax expense for 9M2020 was comparable with 9M2019.

Profit after tax

As a result of the foregoing, the Group's net profit after tax increased by 5.4% or S\$0.2 million, from S\$4.9 million in 9M2019 to S\$5.1 million in 9M2020.

Consolidated Statements of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 September 2020 and 31 December 2019.

Non-current assets

The Group's non-current assets decreased by S\$0.4 million from S\$13.5 million as at 31 December 2019 to S\$13.1 million as at 30 September 2020 primarily due to depreciation of plant and equipment and amortisation of intangible asset, partially offset by acquisition of plant and equipment as well as trademark and in-licensing rights totalling S\$1.1 million.

Current assets

The Group's current assets increased by S\$8.8 million from S\$66.6 million as at 31 December 2019 to S\$75.4 million as at 30 September 2020 mainly due to increases in inventories, trade & other receivables and prepayments by S\$7.8 million, S\$4.3 million and S\$0.3 million respectively, partially offset by decrease in cash and equivalents by S\$3.7 million.

The increase in inventories was mainly due to higher stock-up ahead of product licence renewals in Vietnam, which typically take at least 12 months to be approved.

The increase in trade and other receivables was mainly due to increase in trade receivables from Vietnam distributors, with slow-down in collections during May to July 2020.

The increase in prepayment was mainly related to payments made to secure orders of diagnostic test kits for COVID-19. As at 30 September 2020, the carrying value of prepayment in connection to the COVID-19 test kits totalled S\$0.2 million.

Consolidated Statements of Financial Position (cont'd)

Non-current liabilities

The Group's non-current liabilities decreased by S\$0.6 million from S\$2.9 million as at 31 December 2019 to S\$2.3 million as at 30 September 2020 due to recognition of the current portion of lease liabilities under current liabilities.

Current liabilities

The Group's current liabilities increased by S\$7.0 million from S\$33.1 million as at 31 December 2019 to S\$40.1 million as at 30 September 2020. This was mainly attributable to increase of S\$6.5 million in trade and other payables in line with increased purchases due to stock-up in Vietnam, increase of S\$0.3 million in tax payable and net increase in bank borrowings of S\$0.2 million.

Consolidated Statements of Cash Flows

3Q2020

Net cash outflow from operating activities was S\$2.8 million in 3Q2020, mainly due to operating cash flows before changes in the working capital of S\$1.5 million, net working capital outflows of S\$3.8 million and income taxes paid of S\$0.5 million.

The net working capital outflows were due mainly to (i) increase in trade and other receivables of S\$3.4 million (ii) increase in inventories of S\$2.8 million, partially offset by (iii) increase in trade and other payables of S\$2.1 million and (iv) decrease in prepayments of \$0.3 million.

Net cash flows used in investing activities during 3Q2020 amounted to S\$0.2 million, mainly due to acquisition of trademark and in-licensing rights.

Net cash flows used in financing activities amounted to S\$0.6 million during 3Q2020, mainly due to bank borrowings repayment of S\$0.4 million and lease payment amounting to S\$0.2 million.

9M2020

The Group generated net cash of S\$0.8 million from operating activities in 9M2020, mainly due to operating cash flows before changes in the working capital of S\$7.6 million, net working capital outflows of S\$6.0 million and income taxes paid of S\$0.7 million.

The net working capital outflows were due to (i) increase in inventories of S\$7.8 million, (ii) increase in trade and other receivables of S\$4.3 million and (iii) increase in prepayment of S\$0.3 million, partially offset by (iv) increase in trade and other payables of S\$6.5 million.

Net cash flows used in investing activities during 9M2020 amounted to S\$1.0 million, mainly attributable to plant and equipment additions and acquisition of trademark and in-licensing rights.

Net cash flows used in financing activities amounted to S\$3.5 million during 9M2020, mainly due to dividend payment of S\$3.0 million and lease payment amounting to S\$0.6 million, partially offset by net bank borrowings of S\$0.1 million.

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

Not applicable.

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

Internationalisation

The Group continues to actively pursue prospective partners in its internationalisation efforts so as to extend the outreach of its proprietary brands to other parts of Asia. As a result of these efforts, the Group has signed distribution agreements for exclusive distributorship of Ocean Health® supplements in Hong Kong, Macau and Duty-Free Channels in China as well as Sri Lanka. The Group is in an advanced stage of negotiation to appoint a distributor for Ceradan® portfolio in the China market.

Investment in Proprietary Brands

With the successful revamped look for Ocean Health®, the Group has also completed its facelift exercise for Ceradan®. The Group has also embarked on various digital marketing efforts which include updating Ceradan® and TDF® websites, such as providing skin health information to the consumers.

The Group will continue to undertake further clinical developments to further differentiate Ceradan® and to delve into applied research and development (“R&D”) for new products and improved formulations.

Strengthen specialty pharma portfolio

The Group remains focused on further cementing its leadership position and deepening its presence in the ASEAN region. The Group continues to expand its specialty pharma portfolio and is expecting to launch new specialty pharma products in regional markets next year. Concurrently, the Group is actively seeking licencing opportunities for new products.

Going Digital

With rising acceptance of Telemedicine, the Group intends to enhance our service offering to capture this growing opportunity. We will invest more in e-commerce and step up digital engagement with medical professionals.

Impact from COVID-19

The recovery of market demand in the regions had been inconsistent and unpredictable, and any further lockdown measures implemented will have a negative impact on the Group's business. Furthermore, the Group had placed prepayments to secure orders of COVID-19 diagnostic test kits during the Circuit Breaker period to sell in the Singapore market, in anticipation of widespread testing in private clinics as Singapore gradually opens up. It was later determined that testing for COVID-19 will entirely be centrally managed, resulting in a lack of private market demand in Singapore. The Group is now working with a partner to sell the test kits overseas. Given the short shelf life and non-saleability in Singapore, a provision for inventory obsolescence was made. As of 30 September 2020, the Group had made provision of S\$0.3 million under other losses with a total carrying value of inventories and prepayment for the test kits of S\$0.2 million remaining on the books. Depending on the ability of the Group to sell the test kits overseas and the eventual selling price that can be procured, additional provisions may be required.

11 Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

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

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

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

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for 3Q2020 and 9M2020 to be false or misleading in any material aspect.

Lim See Wah
Chairman and Chief Executive Officer

Tan Chwee Choon
Executive Director

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

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

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

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

	Allocated S\$'000	Utilised S\$'000	Balance S\$'000
Business expansion, including potential acquisitions, joint ventures, product development and research and development collaborations	7,000	1,373	5,627
General corporate and working capital purposes	3,552	1,562	1,990
Setting up of our integrated facility	3,000	3,000	-
Payment of underwriting and placement commissions as well as offering expenses	2,048	2,048	-
Gross proceeds from the Invitation	15,600	7,983	7,617

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

BY ORDER OF THE BOARD

Lim See Wah

Chairman and Chief Executive Officer

11 November 2020

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

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

The contact person for the Sponsor is Mr Kelvin Wong, Senior Vice President. The contact particulars are 12 Marina Boulevard, Level 46, Marina Bay Financial Centre Tower 3, Singapore 018982, Telephone: +65 6878 8888.

Media Release

Hyphens Pharma’s 9M2020 net profit rose 5.4% to S\$5.1 million

- Challenges from COVID-19 affected the Group’s profitability with 53.0% decline in 3Q2020 against 3Q2019
- Proprietary Brands segment, led by Ceradan® and Ocean Health®, continues its growth path with a revenue increase of 27.5% in 9M2020

Singapore, 11 November 2020 – Hyphens Pharma International Limited (“凯帆药剂国际有限公司”, “Hyphens Pharma”, or the “Company”, and together with its subsidiaries, the “Group”), Singapore’s leading specialty pharmaceutical and consumer healthcare group, is pleased to announce its third quarter (“3Q2020”) and nine months (“9M2020”) results ended 30 September 2020.

Financial Highlights

The Group’s 3Q2020 revenue increased year-on-year by 2.4% to S\$31.4 million from S\$30.7 million in the third quarter ended 30 September 2019 (“3Q2019”). For 9M2020, revenue increased by 7.3% to S\$93.1 million from S\$86.7 in the nine months ended 30 September 2019 (“9M2019”).

S\$’mil	3Q2020	3Q2019	Y-o-Y% Change	9M2020	9M2019	Y-o-Y% Change
Revenue	31.4	30.7	2.4	93.1	86.7	7.3
Gross Profit	10.3	10.8	(4.8)	31.4	30.5	3.1
Profit before tax	1.1	2.2	(52.3)	6.2	5.9	4.7
Profit after tax	0.8	1.8	(53.0)	5.1	4.9	5.4

The increase in revenue for 9M2020 was due to the increased contribution from all of the Group's three business segments. The proprietary brands segment had the highest growth rate of 27.5%, with strong contributions from **Ceradan®** and **Ocean Health®** brands. In addition, the specialty pharma principals segment and the medical hypermart & digital segment also contributed growth of 4.3% and 4.9% respectively for the period under review.

Similarly, the growth attributors for 9M2020 were also reflected in 3Q2020 as the proprietary brands and the specialty pharma principals segments grew by 22.9% and 0.3% respectively.

S\$'mil	3Q2020	3Q2019	Y-o-Y% Change	9M2020	9M2019	Y-o-Y% Change
Specialty pharma principals	17.0	16.9	0.3	48.4	46.4	4.3
Proprietary brands	4.4	3.6	22.9	13.6	10.7	27.5
Medical hypermart and digital	10.1	10.2	(1.4)	31.1	29.7	4.9
Total	31.4	30.7	2.4	93.1	86.7	7.3

Gross profit correspondingly rose by 3.1% in 9M2020 to S\$31.5 million as compared to S\$30.5 million in 9M2019. However, gross profit margin dropped to 32.9% in 9M2020 as compared to 35.2% in 9M2019, mainly due to lower margin from the medical hypermart and digital segment.

As a result, the Group's net profit after tax in 9M2020 increased by 5.4% to S\$5.1 million (9M2019: S\$4.9 million) despite lower net profit after tax for 3Q2020 of S\$0.8 million (3Q2019: S\$1.8 million). As at 30 September 2020, the Group's Net Asset Value per share was 15.35 Singapore cents, compared to 14.67 Singapore cents as at 31 December 2019.

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

“We are pleased that our proprietary brands segment continues to attract strong and prospective partners to come onboard to help widen our market reach. With our partners helping to expedite **Ocean Health®** and the other proprietary brands' outreach, we believe that our proprietary brands will achieve greater awareness and a stronger foothold in the region.”

Business Outlook

Internationalisation

The Group continues to actively pursue prospective partners for its internationalisation efforts so as to extend the outreach of its proprietary brands to other parts of Asia. As a result of these efforts, the Group has signed distribution agreements for the exclusive distributorship of **Ocean Health**[®] supplements in Hong Kong, Macau and Duty-Free Channels in China, as well as in Sri Lanka. The Group is in an advanced stage of negotiation to appoint a distributor for **Ceradan**[®] portfolio in the China market.

Investment in Proprietary Brands

With the successful revamped look for **Ocean Health**[®], the Group has also completed its facelift exercise for **Ceradan**[®]. The Group has also embarked on various digital marketing efforts which include updating **Ceradan**[®] and **TDF**[®] websites, such as providing skin health information to the consumers. In addition, the Group will continue to undertake further clinical developments to further differentiate **Ceradan**[®] and to delve into applied research and development (“**R&D**”) for new products and improved product formulations.

Impact from COVID-19

The recovery of market demand in the regions had been inconsistent and unpredictable, and any further lockdown measures implemented will have a negative impact on the Group’s business. Furthermore, during the Circuit Breaker period, the Group had placed prepayments to secure orders of COVID-19 diagnostic test kits to sell in the Singapore market, in anticipation of widespread testing in private clinics as Singapore gradually opens up. It was later determined that testing for COVID-19 will entirely be centrally managed, resulting in a lack of private market demand in Singapore. The Group is now working with a partner to sell the test kits overseas. Given the short shelf life and non-saleability in Singapore, a provision for stock obsolescence was made. As of 30 September 2020, the Group has made provision of S\$0.3 million under other losses with a total carrying value of inventories and prepayment for the test kits of S\$0.2 million remaining on the books. Depending on the ability of the Group to sell the test kits overseas and the eventual selling price that can be procured, additional provisions may be required.

End.

Note: This media release is to be read in conjunction with the Company's SGXnet announcement of its financial results on the same date.

About Hyphens Pharma International Limited

(www.hyphensgroup.com)

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

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

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

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

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The contact person for the Sponsor is 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.