HYPHENS PHARMA INTERNATIONAL LIMITED

SPREADING OUR WINGS

ANNUAL REPORT 2020

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

This Annual Report has been prepared by the Company and its contents have been reviewed by the Sponsor, DBS Bank Ltd. ("Sponsor") for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the contents of this Annual Report including the accuracy, completeness or correctness of any information, statements or opinions made or reports contained in this Annual Report.

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.

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 ten other markets – **Bangladesh, Brunei, Cambodia, China, Hong Kong S.A.R., Macau S.A.R., Myanmar, Oman, Sri Lanka and South Korea**.

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.

Hyphens Offices   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 2020, our specialty pharmaceutical product portfolio comprises more than 30 products. The major products in our product portfolio include contrast media products, Sterimar® 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, health supplement products marketed under our Ocean Health® brand, and scalp care products marketed under CG 210® 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®, TDF® and CG 210® products primarily through medical professionals. 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. Please refer to www.tdf-derma.com for more details.

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

Our Scalp Care Products

Skin health is our focus area, where we want to establish our leadership position. In 2020, we included scalp care as part of our dermatology portfolio and acquired CG 210® product series for the sale and distribution in Singapore and Malaysia.

CG 210® is a patented topical botanical hair growth-promoting agent based on *Allium cepa* (onion), *Citrus medica limonum* (lemon), *Theobroma cacao* (cocoa) and *Paullinia cupana* (guarana) that works via unique mechanisms of action.

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.

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, Shopee and Amazon.

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 comprehensive 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.

MESSAGE TO **SHAREHOLDERS**

Dear Shareholders,

I am honoured to present to you our Group's ("Hyphens") annual report for the financial year ended 31 December 2020 ("FY2020"). FY2020 was a year filled with great uncertainty due to the ravages of the COVID-19 pandemic with people all over the world being affected, whilst businesses and industries globally were trying their best to adapt to the challenging business environment. Against this adverse backdrop, our Group delivered revenue of S$123.7 million and net profit of S$6.2 million for FY2020. Most notably, we saw strong revenue growth in our Proprietary Brands segment, led by Ceradan® and Ocean Health®.

COVID-19 Pandemic Impact

Not only did the COVID-19 pandemic impact the way we lived, but also the way we worked. Fortunately, our Group and our overseas distributors' businesses were classified as essential services, which allowed us to carry on operations while adhering to the respective countries' legal requirements and safe distancing measures. Nevertheless, varying degrees of lockdown in the region have affected demand in certain markets and the recovery had been inconsistent and unpredictable.

Knowing the economic uncertainty and market volatility brought on by the pandemic, we recognise that it is important for shareholders and investors to have up-to-date information on our Group's business and operations. Hence in FY2020, we continued quarterly reporting on a voluntary basis, so as to provide a timely disclosure on our Group's business and financial performance.

Deepening Digitalisation Capabilities

At Hyphens, we remain focused on our long-term growth plans. Although the COVID-19 pandemic has made the operating environment more challenging, it has also opened new doors and provided new opportunities for us.

During this time, we seized the opportunity to enhance our digital capabilities. We broadened our e-commerce presence on platforms such as Shopee, Lazada, Qoo10 and Amazon; whilst our proprietary brands, Ceradan® and TDF®, launched their new websites. We also engaged medical professionals digitally through webinars and online meetings.

Furthermore, we strengthened our digital talent team to drive the Group's digital transformation initiatives as well as expand the business of the Medical Hypermart and Digital segment.

2020

$123.7 million	$6.2 million	0.62 cent per share
Revenue	Net Profit	Dividend

Expanding Regional Presence

In the region, we continued to build on and expand the awareness of our proprietary brands. The Group signed distribution agreements with distributors with proven track records such as SUTL Corporation (Hong Kong) Ltd ("SUTL HK"), Healthguard Pharmacy Limited ("Healthguard"), Shanghai Good Luck International Trading Co. Ltd. ("Shanghai Good Luck"), and JSPharma ("JSPHARMA"), which allowed us to gain entry to new markets like Hong Kong S.A.R., Macau S.A.R., China, Sri Lanka and South Korea.

Widening Product Portfolio

In tandem with our regional expansion, we have also been innovating to strengthen our Proprietary Brands portfolio in pursuit of our goals. We were granted a patent for our Ceradan® Advanced in the United Kingdom (UK) and we look forward to receiving approvals in another 13 countries/region such as Singapore, Malaysia, Vietnam, China, Europe, USA, etc. Under our Ceradan® product range, we launched Ceradan® Hand Lotion Sanitiser, and Ceradan® Gentle Cleanser. Simultaneously, under our Ocean Health® brand, we released new products such as High Strength Omega-3 Vitamin D3-Enriched, High Strength Omega-3 Liquid, Fast Absorb Iron Energy Formula and Muscle Strength Formula.

Working towards our long-term goal of becoming Asia's No. 1 Skin Health Company, we acquired CG 210®, procuring all rights, titles and interests in the trademarks of CG 210® and CG4S for Singapore and Malaysia, offering the sale and distribution of the CG 210® product series such as the CG 210® Women lotion, CG 210® Men lotion, CG 210® Forte Lotion and the CG4S Shampoo in these two countries.

Driving Value Creation via Intangible Assets

During the year, we participated in the Intangible Disclosure Evaluation and Audit Scheme ("IDEAS") programme, a collaboration between SGX and the Intellectual Property Office of Singapore ("IPOS"). An IDEAS report has been published which allows investors and shareholders to have a better understanding of how the strategic use of Hyphens' intangible assets can contribute to the Group's long-term value creation.

Supporting Community Outreach

Being a socially responsible enterprise, Hyphens had also carried out activities in FY2020 especially to aid those in need during the pandemic period. The Group set up and committed a COVID-19 fund to support frontline healthcare professionals in the region and to provide donations to local marginalised communities affected by the COVID-19 pandemic.

Appreciation

In line with our long-term growth prospects and despite the tough operating environment, the Board has decided to continue to pay dividends of at least 30% of the Group's net profit attributable to shareholders, and thus will be recommending a final dividend of 0.62 cents per share, which is subject to the approval of shareholders at our upcoming Annual General Meeting.

In closing, I would like to thank all our stakeholders for their support of our growth and development in FY2020. I would also like to show my appreciation to our Board of Directors for the wisdom and experience in their guidance to management. In particular, our Group welcomes Mr Chan Kiat to the Board and offer our thanks to Dr Poon Thong Yuen for all his contributions. At the same time, I would also like to thank our business associates, research partners, customers, government agencies, and staff for their efforts and confidence in our Group.

Our Group believes that we remain on track for our long-term growth plans to become the leading pharmaceutical and consumer healthcare group in ASEAN.

Lim See Wah
Chairman, Executive Director & CEO

2020
KEY EVENTS

MAR

- Launched Ocean Health® High Strength Omega-3 Vitamin D3-Enriched

MAY/ JUNE

- Launched Ceradan® Gentle Cleanser
- Launched Ceradan® Hand Lotion Sanitiser

JULY

- Received UK patent for Ceradan® Advanced
- Launched Ocean Health® High Strength Omega-3 Liquid & Ocean Health® Fast Absorb Iron Energy Formula

- Expanded proprietary brands portfolio with hair growth products under the CG 210® brand for sale and distribution in Singapore and Malaysia
- Inked exclusive partnership with SUTL HK to distribute Ocean Health® products in Hong Kong S.A.R., Macau S.A.R. and duty-free channels in China

AUG

OCT

- Launched Ocean Health® Muscle Strength Formula

- Expanded Ocean Health® distribution to Sri Lanka
- Broadened Ceradan® brand's outreach to Mainland China

NOV

OPERATIONS
REVIEW

In FY2020, the Group continued to work on its series of strategic developments, reinforcing its position as ASEAN's leading specialty pharmaceutical and consumer healthcare group as well as to strengthen its focus in skin health.

Bolstering Proprietary Brands

The Group's Proprietary Brands segment grew by 25.9% in FY2020 to a revenue of S$18.2 million. The increase was mainly due to strong contributions from Ceradan® and Ocean Health® brands.

As the Group continues with its focus in skin health, innovation and development of proprietary brands are necessary and essential. In FY2019, we have introduced the existing Ceradan® range to retail pharmacy channels such as Guardian, Watsons and Unity, in order to enhance brand awareness and gain further traction in the retail market space. At the same time, Ceradan® Advanced was also introduced in the medical channel. Hyphens has always valued its research-based approach to product development and is pleased that its patent for Ceradan® Advanced has been granted in the United Kingdom (UK) and is looking forward to approvals in 13 other countries/region such as Singapore, Malaysia, Vietnam, China, Europe, USA, etc.

Additionally, new products were also launched in the Proprietary Brands segment which includes Ceradan® Gentle Cleanser and Ceradan® Hand Lotion Sanitiser to the current Ceradan® range; and High Strength Omega-3 Vitamin D3-Enriched, High Strength Omega-3 Liquid, Fast Absorb Iron Energy Formula and Muscle Strength Formula to the Ocean Health® range.

To strengthen the Proprietary Brands portfolio, the Group has procured all rights, titles and interests in the trademarks of CG 210® and CG4S from Legacy Healthcare (Switzerland) SA for Singapore and Malaysia. This product range is in line with the Group's long-term goal of becoming Asia's No.1 Skin Health Company while complementing the Group's other brands such as Ceradan® and TDF® Derma Formula with the inclusion of scalp care into the dermatology portfolio.

CG 210® is a patented topical botanical hair growth-promoting agent based on *Allium cepa* (onion), *Citrus medica limonum* (lemon), *Theobroma cacao* (cocoa) and *Paullinia cupana* (guarana) that works via unique mechanisms of action. Its safety and efficacy have been demonstrated in more than 10 clinical studies involving close to 800 subjects with several publications. The Group promotes CG 210® to medical professionals in Singapore and Malaysia, as well as retail channels in Malaysia.

Spreading regionally

Through efforts to expand the Group's reach into overseas markets, the Group has grown the distribution network of its Proprietary Brands segment with the appointment of new distributors with proven track records. The Group appointed SUTL HK to distribute Ocean Health® in Hong Kong S.A.R., Macau S.A.R. and Duty-Free Channels in China, and Healthguard to distribute in Sri Lanka. The Group also appointed Shanghai Good Luck to distribute Ceradan® in China and JSPHARMA to distribute TDF® Fairence® T-Complex in South Korea. The potential growth of the Proprietary Brands segment remains vastly untapped. The Group will continue to look out for prospective partners who can strengthen and expand the brand awareness of its proprietary brands in other countries.

After the successful launch of D-Cure® in Singapore and Malaysia, the Group has also launched it in the Philippines. D-Cure® is used for the prevention and treatment of vitamin D deficiency. Some studies have suggested that having adequate amounts of vitamin D can enhance immunity.

Accelerating growth in the digital space

As the COVID-19 pandemic has become an unprecedented disruption to all facets of the healthcare industry, it has paved the way for more innovation as the key to adapt and unlock new areas of growth. The Group took the opportunity to further Ceradan®, Ocean Health® and Sterimar® brands presence on e-commerce platforms such as Shopee, Lazada, Qoo10 and Amazon.

Furthermore, Hyphens strengthened its pool of digital talents with a Senior Manager to drive the Group's digital transformation initiatives and two Business Development Managers to spearhead business expansion in the Medical Hypermart and Digital segment.

Navigating the uncertainty with focus in growth

The battle against the COVID-19 pandemic has not been easy and is far from over. It is expected to continue plaguing economies, businesses and societies, as governments across the globe work to curb the spread of the virus. While vaccines are already available, time is still required for countries globally to implement and roll out their respective vaccination programmes. We can be certain that this would take a long while before we can see a normalised post-COVID world.

In every crisis lies an opportunity. The Group's operating environment might have become more challenging, but it also opens the door of harnessing digital technology as an enabler of our current business while serving as a transformer to potentially create new businesses. Apart from the Group's distribution of medical supplies and products to the medical and retail channels, e-commerce will be an area of focus going forward as consumers rely on the digital world more than ever and consumption has shifted increasingly online.

The Group is steadfast in pursuing its long-term growth, and will continuously seek to strengthen our proprietary brands and specialty pharma product portfolios, as well as investing into clinical development on the Group's proprietary brands. In line with the Group's internationalisation strategy to cement stronger foothold and brand awareness in the region, the Group will continue to expand our marketing and distribution network into new markets through the appointment of distributors. Concurrently, the Group will be looking to enhance its presence in the e-business space. Last but not least, the Group also aims to improve the quality of its workforce to drive the future growth of the business.

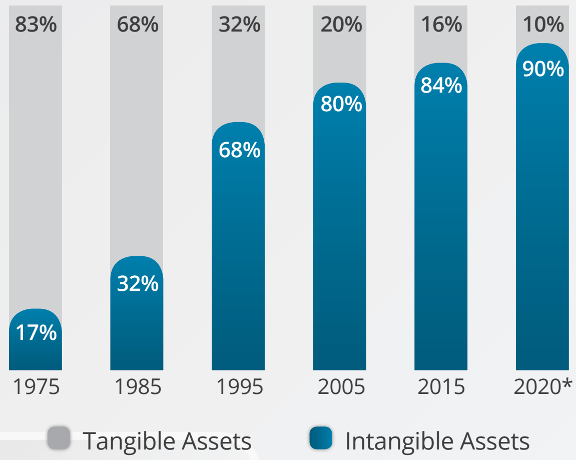
INTANGIBLE **ASSETS**

Intangible Assets Drive Value Creation

Intangible assets ("IA") are important indicators of the intrinsic business value and are increasingly critical in business growth and success in a knowledge-based economy. Hyphens participated in the Intangible Disclosure Evaluation and Audit Scheme ("IDEAS") programme, a collaboration between Singapore Exchange ("SGX") and the Intellectual Property Office of Singapore ("IPOS"). The objectives of this programme are to evaluate Hyphens' portfolio of IA and communicate to the investing community so that investors can better appreciate the value of intangible assets in driving long-term sustainable growth of the Group.

What are Intangible Assets?

Intangible assets are more than registrable intellectual property like trademarks and patents. These include trade secrets, know-hows, copyrights, and even about the value of data accumulated over the years.



Source: Ocean Tomo, LLC Intangible Asset Market Value Study, 2020
*Interim Study Update as of 7/1/2020

In the US, 90% of the market value of S&P500 companies lies in their IA.[1]

Asia also saw an increase in the IA values of companies e.g. in Indonesia, China and India, which has more than doubled between 2012 and 2016.[1]

Meanwhile, approximately 10% and 12% of the companies listed on the SGX and Hang Seng Index respectively have more than 80% of their market value in IA.[2]

Why Do We Consider Intangible Assets Important?

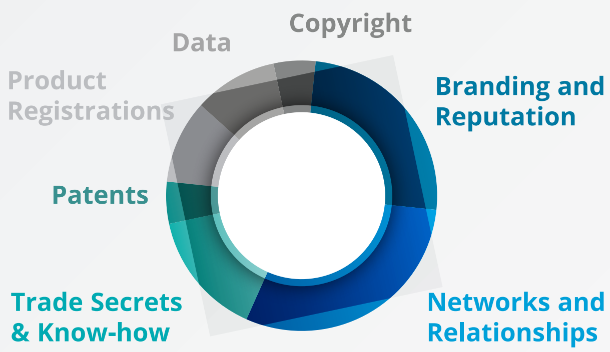
As IA are either not on the balance sheet or income statement, or are stated at cost instead of its value, they are often overlooked by investors. However, they do provide competitive advantages and are the main value drivers for Hyphens' long-term sustainable growth.

> ***"Innovation is at the heart of value creation... Revenue of our Proprietary Brands segment has grown by 26% in 2020 and we have seen several milestones reached in the development of our Proprietary Brands business."***

Mr Lim See Wah
Chairman, Executive Director & CEO

Current State: Intangible Assets Overview

The diagram below sets out the relative contribution of different IA that support Hyphens' competitive advantages.



Product Registrations

- Hyphens owns the product registrations in key regional markets which can be difficult to obtain and may contribute to renewal of distribution rights with principals.

Data

- Hyphens has data from the regional market and from the local medical professions via the Pan-Malayan Hypermart. These can be harnessed for market insights.

1 Ocean Tomo, Intangible Asset Market Value Study Interim Results, 2020. Retrieved from https://www.oceantomo.com/intangible-asset-market-value-study
2 IPOS International, Eyes on the Invisible and Intangible, 3 July 2018. Retrieved from https://iposinternational.com/news/eyes-on-the-invisible-and-intangible

Copyright

- Copyright resides in Hyphens' websites, videos, publicity materials and product information.

Branding and Reputation

- Reputation as a B2B distributor of medically endorsed pharmaceutical products with wide network in the region covering 5 countries and 32 cities.
- Achieved good standing with medical professionals where many of its products are launched through them.
- Secured trade mark registrations and domain names for the various products it represents in the markets and for proprietary brands.
- B2C branding through proprietary products which are sold in retail stores.

Networks and Relationships

Hyphens has built networks and relationships across the different parts of its value chain including principals, downstream distributors, and end users amongst the medical profession.

Trade Secrets & Know-how

Hyphens has accrued significant trade secrets and know-how including:

- Market related knowledge.
- Regulatory compliance specific to the countries it operates in.
- New product pipelines, formulations and manufacturing processes.
- Systems and processes for logistics efficiency.

Patents

- "Skin Barrier Composition" – Patent was granted in UK in July 2020, pending in 13 countries/region.

Source: Intangible Assets Stocktake Report 2020 for Hyphens by IPOS International and EverEdge Global under the IDEAS Programme

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Hyphens Today: Intangible Assets Underpin Value Creation

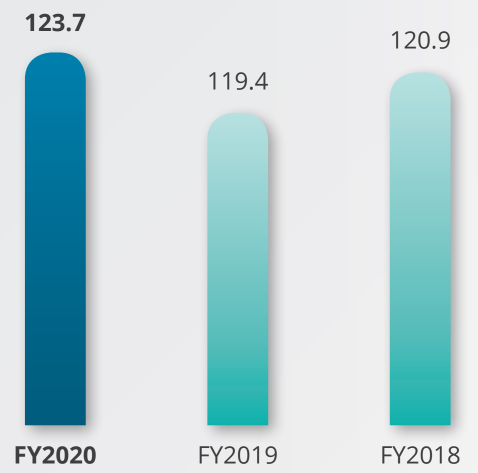
Hyphens' key IA may be categorised according to the WICI Intangibles Reporting Framework* as follows:

Relational Capital The value inherent in an organisation's relationships with its customers, brand principals, business partners and other important constituencies.	**Branding and Reputation:** Reputation as a B2B distributor of medically endorsed pharmaceutical products with wide regional network and good standing with medical professionals which further builds on this credibility amongst consumers. **Network and Relationships:** Multiple strategic relationships across 5 countries and 32 cities that Hyphens distributes in – both with upstream principals and downstream distributors as well as end users amongst the medical professionals.
Human Capital The value that the employees of a business provide through the application of their skills, competencies, knowledge, etc.	**Know-how:** • Market specific knowledge including regulatory compliance and business operations across its wide and diverse distribution network in medical businesses enables it to produce good sales results for its principals across multi-cities. • Sales capabilities are held in Hyphens' sales staff across the region, reducing the risk of principals going straight to Hyphens' third-party downstream distributors which only handle the logistics.
Organisational Capital Business network, data and systems that enable the organisation to deliver products and services and create value.	**Trade Secrets / Data:** • New product pipelines, formulations and manufacturing processes of proprietary brands protect investments in new products. • Data from product lines movement improves efficiency and reduces cost as well as provides insights on the demographics which may be of value in the future. **Patent:** Patents provide strong protection over technology which Hyphens invested to develop. **Product Registration:** Ownership contributes to retention of distribution rights with principals as these may be difficult to obtain due to regulatory complexity. **Copyright:** Residing in materials that support the branding and marketing efforts.

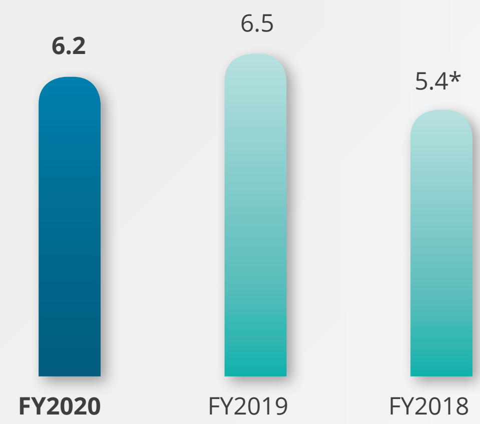
*WICI stands for the World Intellectual Capital/Assets Initiative
Source: Intangible Asset Portfolio Review by IPOS International, 18 August 2020

FINANCIAL HIGHLIGHTS

REVENUE (S$'MIL)

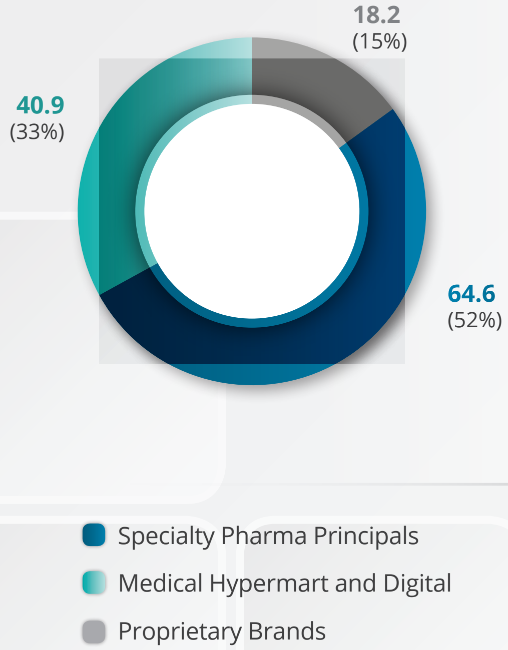


PROFIT NET OF TAX (S$'MIL)

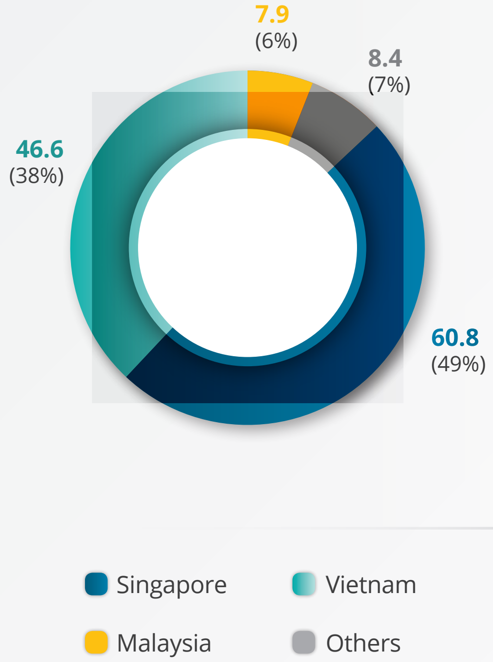


* Include IPO expense S$0.9 million

FY2020 REVENUE BY BUSINESS SEGMENT (S$'MIL)



FY2020 REVENUE BY GEOGRAPHY (S$'MIL)



Review of Financial Performance

Revenue & Margin

The Group's revenue increased by 3.6% or S$4.3 million from S$119.4 million in FY2019 to S$123.7 million in FY2020. The increase in revenue was mainly due to higher sales from the proprietary brands segment which grew by 25.9% due to higher demand for dermatological products under Ceradan® brand and nutritional supplements under Ocean Health® brand. The increase was further complemented by increased sales of 2.7% from the Medical Hypermart and Digital segment.

Gross profit increased by 2.6% or S$1.0 million from S$42.7 million in FY2019 to S$43.7 million in FY2020. Gross profit margin for FY2020 remained relatively stable at 35.4% (FY2019: 35.7%).

Other income and gains

Other income and gains increased by 311.7% or S$1.7 million from S$0.5 million in FY2019 to S$2.2 million in FY2020 due to higher government grants (mainly from the Jobs Support Scheme) received.

Operating Expenses

Distribution costs increased by 6.8% or S$1.7 million from S$24.8 million in FY2019 to S$26.5 million in FY2020 due to increased advertising and promotional expenses to promote our products in Proprietary Brands and Specialty Pharma Principals segments and higher staff costs due to the strengthening of our human capital to support our long-term growth strategy.

Administrative expenses for FY2020 increased by 3.7% or S$0.3 million from S$9.8 million in FY2019 to S$10.1 million due to higher R&D costs and higher provisions recorded for unutilised leave by employees.

Other losses increased by 342.4% or S$1.6 million from S$0.5 million in FY2019 to S$2.1 million in FY2020 mainly due to higher allowance for inventories obsolescence. Of this allowance, S$1.3 million were made by the Medical Hypermart and Digital segment, which comprised (a) S$0.6 million write down of personal protective equipment ("PPE") to net realisable value in view of a drop in value as supplies rose globally, and (b) S$0.5 million full provision made on diagnostic test kits for COVID-19 purchased during the circuit breaker period for which the Group was eventually unable to distribute.

Profit for the Year

The Group's net profit after tax decreased by 5.6% or S$0.3 million, from S$6.5 million in FY2019 to S$6.2 million in FY2020 mainly due to higher operating expenses.

Review of Financial Position

Assets

The Group's non-current assets decreased by S$0.8 million from S$13.5 million as at 31 December 2019 to S$12.7 million as at 31 December 2020 primarily due to depreciation of plant and equipment of S$1.7 million and amortisation of intangible assets of S$0.4 million, partially offset by acquisition of plant and equipment of S$0.4 million as well as acquisition of intangible assets, relating to trademark and in-licensing rights, of S$0.8 million.

The Group's current assets increased by S$7.8 million from S$66.6 million as at 31 December 2019 to S$74.4 million as at 31 December 2020 mainly due to increases in inventories, trade & other receivables and cash & cash equivalents by S$5.5 million, S$0.8 million and S$1.4 million respectively. The increase in inventories was due to higher stock-up ahead of product licence renewals in Vietnam, which typically take at least 12 months to be approved.

Liabilities

The Group's non-current liabilities increased by S$1.1 million from S$2.9 million as at 31 December 2019 to S$4.0 million as at 31 December 2020, mainly due to new loan borrowings of S$1.8 million payable after one year, set off against the recognition of the current portion of lease liabilities under current liabilities of S$0.6 million.

The Group's current liabilities increased by S$2.9 million from S$33.1 million as at 31 December 2019 to S$36.0 million as at 31 December 2020. This was mainly attributable to an increase of S$2.6 million in trade and other payables in line with increased purchases due to stock-up in Vietnam and new bank borrowings of S$0.4 million.

Review of Statement of Cash Flows

The Group generated net cash of S$4.1 million from operating activities in FY2020, mainly due to operating cash flows before changes in working capital of S$9.0 million, net working capital outflows of S$3.8 million and income taxes paid of S$1.1 million. The net working capital outflows were mainly due to increase in inventories of S$5.5 million and increase in trade and other receivables of S$0.8 million, and partially offset by increase in trade and other payables of S$2.6 million.

Net cash flows used in investing activities during FY2020 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$1.8 million during FY2020, mainly due to dividend payment of S$3.0 million and lease payments amounting to S$0.8 million, partially offset by net increase in bank borrowings of S$2.1 million.

SUSTAINABILITY STATEMENT

Our Sustainability Report for the financial year ended 31 December 2020 ("FY2020") will be released in the second quarter of FY2021 and will encompass the following key elements:

Sustainability Report Material Topics

ANTI-CORRUPTION

We practise professional ethics in our business operations as well as create a culture of integrity throughout the organisation. We have put in place policies and procedures surrounding workplace ethics and business conduct such as anti-corruption, whistleblowing, conflict of interest and ethical business practices.

EMPLOYMENT

We recognise our employees as our greatest asset as they are key to our sustainable growth and success. We embrace diversity by hiring talents from various backgrounds and cultures based on meritocracy and provide unbiased opportunities to our employees. We value and promote our employees' wellbeing and work-life balance at work to maintain a sustainable workforce.

CUSTOMER PRIVACY

We strive towards upholding professional values in conducting business and handling of customers' privacy. Maintaining impeccable privacy and security is always our Group's notion to protect our customers' interests and deliver sustainable growth.

SOCIOECONOMIC COMPLIANCE

Guided by our core values and code of conduct, we are fully committed to ensure that compliance is an integral part of our corporate culture and business processes. Our tone for regulatory compliance is set clearly at the top and consistently reiterated through all levels of our Group.

CORPORATE SOCIAL RESPONSIBILITY

As part of our commitment to support frontline healthcare workers and marginalised communities adversely affected by the COVID-19 pandemic, we have contributed $150,000 worth of items between February 2020 and August 2020.

Community Outreach in Singapore

Month	Beneficiary	Institution	Donation in Kind
February	Elderly residents	AWWA Senior Community Home & Senior Activity Centre	Ocean Health® supplements
April	Elderly patients	Moral Home for the Aged Sick	Ocean Health® supplements and personal essential items
May	Migrant workers	1. Project CLOVE@NUHS 2. HealthServe	Ocean Health® supplements
June	People with special needs	Association for Persons with Special Needs (APSN)	Personal essential items
	Frontline healthcare workers	Moral Home for the Aged Sick	Ocean Health® supplements and personal protective equipment (PPE)
July	Frontline healthcare workers	Assisi Hospice	Ocean Health® supplements and personal protective equipment (PPE)
August	Frontline healthcare workers	Ceradan® social responsibility campaign “Hand in Hand Together with You”	Ceradan® optimal hand hygiene care kit

Overseas Community Outreach

We were happy to reach out to a few COVID-19 designated hospitals in Malaysia and Indonesia. In Malaysia, hand sanitizers, Ceradan® Gentle Cleansers and Sterimar® Nasal Sprays were donated to Hospital Selayang, Hospital Pulau Pinang and Hospital Serdang.

Meanwhile, Indonesian frontline healthcare workers in Surabaya, Jakarta and Bogor received our Ocean Health® supplements, ENTCLEAR® Nasal Wash and Sterimar® Nasal Sprays respectively.

SCAN TO SEE MORE PHOTOS

bit.ly/overseasoutreach

INVESTOR **RELATIONS**

Hyphens is committed to maintain timely, balanced and effective communications with its shareholders and stakeholders. In FY2020, Hyphens held four results briefings, which were well attended by financial analysts and institutional investors.

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

Date	Event
22 January 2020	Presentation to remisiers
19 May 2020	Phillip Securities: POEMS Webinar
3 August 2020	DBS ASEAN Regional Healthcare Conference
3 September 2020	Corporate seminar for institutional investors
17 September 2020	Phillip Securities: POEMS Webinar

Five equity research houses provided research coverage on Hyphens in FY2020.

1. KGI Securities
2. Lim & Tan Securities
3. PhillipCapital
4. RHB Securities Singapore
5. SAC Capital

Retail investors constitute another important aspect of our outreach efforts. Recognising the wide reach of local financial bloggers, we proactively engaged SmallCapAsia, Forever Financial Freedom (3Fs) and New Academy of Finance to reach out to investors on digital platforms.

In consideration of the health and safety of our shareholders, Hyphens convened its second Annual General Meeting virtually on 12 June 2020. The Annual General Meeting offers an important platform for the Board and Management to present Hyphens' performance and address shareholders' queries.

NUMBER 1 TOP OF MIND BRAND BY PRIVATE DERMATOLOGISTS*
*IQVIA 2018 Recommendation Tracker

Ceradan®
Skin Barrier Repair Cream

Rebuild Your Skin's Protective Barrier

Itch-free, Worry-free

Ceradan® Skin Barrier Repair Cream is a scientifically formulated ceramide-dominant moisturiser 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.** Suitable for eczema-prone, dry and sensitive skin.

www.ceradan.com

References:
* IQVIA Sep 2018 Recommendation Tracker
** 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.

BOARD OF **DIRECTORS**


1

2

3

4

5

6

7

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.

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.

6
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 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.

7
Mr Chan Kiat
Independent Director

Mr Chan Kiat was appointed to our Board as Independent Director on 5 November 2020.

He is the Managing Director and Partner of Archipelago Capital Partners, a Singapore-based fund manager investing in Southeast Asia, since 2016. Prior to co-founding Archipelago Capital Partners, Kiat served as Executive Vice President of Investments at Singapore Post Limited ("SingPost"). He was a key member of the Corporate Finance Practice in Southeast Asia at McKinsey & Company from 2001 to 2011.

Kiat has over 20 years of experience in consulting, corporate finance, strategy and private equity. He graduated from the National University of Singapore with a Bachelor of Engineering in 1996 and obtained a Master of Business Administration from INSEAD in 2000.

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.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Singapore's No.1
Omega-3 Brand*
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back in your joints
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UC-II®
(Undenatured Type-II Collagen)
2x more effective^
for joint discomfort
MSM
(Methylsulfonylmethane)
For discomfort relief
MSM
CURCUMIN
Natural antioxidant with anti-inflammatory properties
Curcumin
Curcumin
UC-II®
TRIPLE ACTION
CURCUMIN
MSM
NEW
Ocean HEALTH
JOINT-RX®
UC-II® FORMULA
WITH CURCUMIN & MSM
IMPROVES JOINT DISCOMFORT & MOBILITY
MADE IN USA · 30 CAPSULES
2X MORE EFFECTIVE^
A member of
Hyphens
*Best selling fish oil (Omega-3) supplement in major retail pharmacies from 2013 to 2019.
^vs. two regular joint nutrients. Reference: Crowley D C et al. Int. J. Med. Sci. 2009.

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.

From **Singapore's No.1** Omega-3 Brand*

Replenish iron levels,
help fight tiredness.

*Best-selling fish oil (Omega-3) supplement in major retail pharmacies from 2013 to 2019. #Product contains Lipofer™ which is a water-dispersible micronized source of iron that has been microencapsulated and it is able to dissolve quickly in the mouth without water required.

A member of
Hyphens

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

Ms Tan Seok Hoong @ Mrs Audrey Liow
Independent Director

Mr Chan Kiat
Independent Director

Audit Committee

Mr Heng Wee Koon, *Chairman*
Mr Ng Eng Leng, *Member*
Ms Tan Seok Hoong @ Mrs Audrey Liow, *Member*
Mr Chan Kiat, *Member*

Nominating Committee

Ms Tan Seok Hoong @ Mrs Audrey Liow, *Chairperson*
Mr Heng Wee Koon, *Member*
Dr Tan Kia King, *Member*

Remuneration Committee

Mr Ng Eng Leng, *Chairman*
Mr Heng Wee Koon, *Member*
Mr Chan Kiat, *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
#03-08 Wilkie Edge
Singapore 228095
Partner-in-charge: Mr Lee Mong Sheong
(effective from the year ended 31 December 2020)

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

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 2020 ("**FY2020**") 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 program as well as meetings with senior management to familiarise new directors with the Group's business activities and strategic priorities of the Group as well as roles and responsibilities of board members and governance matters. 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 ("**SID**") or other training institutes.

In FY2020, the Directors have attended the following SID courses:

- Ask the Right Questions – Reviewing Financial Statements and Selecting Auditors
- Board Risk Committee Essentials
- Director Financial Reporting Fundamentals
- Directors Virtual Conference 2020
- Global Virtual Roundtable 2: The New Normal for Boards
- Nominating Committee Essentials
- SIAS Corporate Governance Digital Symposium
- Singapore Board Diversity
- Singapore Governance and Transparency Index Launch

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 FY2020 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 FY2020 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	5[(d)]	5[(d)]	1[(d)]	1[(d)]	1[(d)]	1[(d)]
Mr Tan Chwee Choon	4	4	4[(d)]	4[(d)]	NA	NA	NA	NA
Dr Tan Kia King	4	4	4[(d)]	4[(d)]	1	1	NA	NA
Mr Heng Wee Koon	4	4	5	5	1	1	1	1
Mr Ng Eng Leng	4	4	5	5	NA	NA	1	1
Mrs Audrey Liow	4	4	5[(a)]	5[(a)]	1[(a)]	1[(a)]	NA	NA
Mr Chan Kiat	1[(b)]	1[(b)]	2[(b)]	2[(b)]	NA	NA	0[(b)]	0[(b)]
Dr Poon Thong Yuen	1[(c)]	1[(c)]	1[(c)]	1[(c)]	0[(c)]	0[(c)]	1	1

Notes:

(a) Mrs Audrey Liow was appointed as Chairperson of the Nominating Committee and member of the Audit Committee on 8 May 2020.

(b) Mr Chan Kiat was appointed as Director and member of the Audit Committee and Remuneration Committee on 5 November 2020.

(c) Dr Poon Thong Yuen resigned as Independent Director on 8 May 2020.

(d) 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

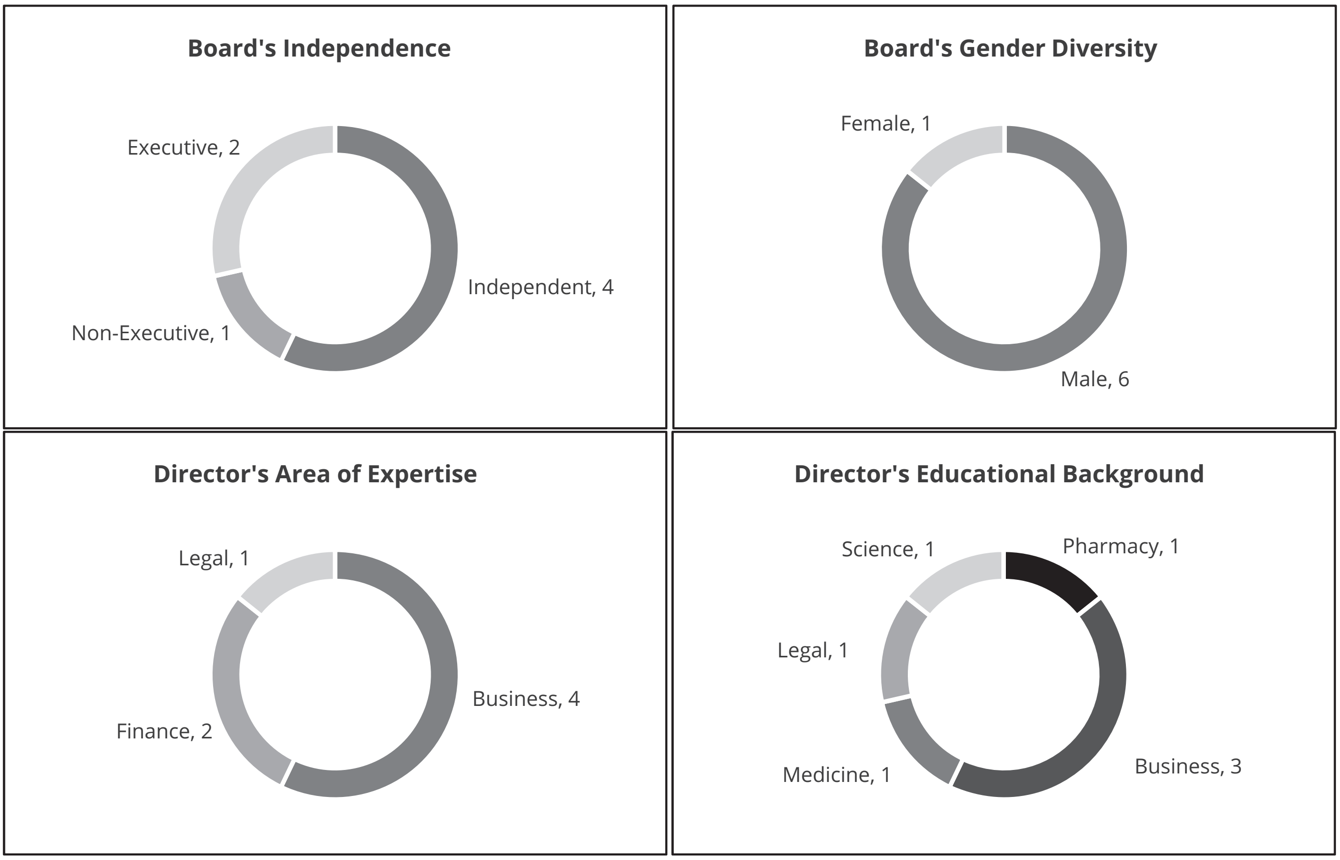
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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:

- Mrs Audrey Liow (Chairperson);
- 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 Rules of Catalist;

(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 decides 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 Heng Wee Koon and Mr Ng Eng Leng, 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 Mr Chan Kiat, 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 Heng Wee Koon will remain as Lead Independent Director, Chairman of the AC, a member of the NC and a member of the RC;

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

c) Mr Chan Kiat will remain as an Independent Director of the Company, a member of the AC and a member of the RC.

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

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

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 criterion 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
- Mr Chan Kiat.

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 FY2020.

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 FY2020 are as follows:

Name of Directors	Fixed Salary (%)	Variable Bonus (%)	Director's Fees (%)	Total (%)
S$250,001 – S$500,000				
Mr Lim See Wah	84%	16%	–	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%
Mrs Audrey Liow	–	–	100%	100%
Mr Chan Kiat (Appointed on 5 November 2020)	–	–	100%	100%
Dr Poon Thong Yuen (Resigned on 8 May 2020)	–	–	100%	100%

The framework for non-executive directors' fees remains unchanged from that of for the financial year ended 31 December 2020 ("**FY2020**") 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 four key management personnel for FY2020 are as follows:

Name of key management personnel	Fixed Salary (%)	Variable Bonus (%)	Benefits-in-kind (%)	Total (%)
S$250,001 – S$500,000				
Mr Yann Marche	85%	13%	2%	100%
Ms Fang Lee Wei	81%	19%	–	100%
Mr David Lim	99%	1%	–	100%
Mr Jason Yeo	74%	26%	–	100%

The total remuneration paid to the above key management personnel for FY2020 was S$1,292,000.

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 Performance 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 not granted any share awards under the Hyphens Performance Share Plan in FY2020 and no share options have been granted since the commencement of the Employee Share Option Scheme.

In view of the foregoing, the RC confirms that the level and structure of remuneration are aligned with the long-term interest and risk management policies of the Group.

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 FY2020, the Group has appointed Nexia TS as internal auditors to evaluate and test the effectiveness of internal controls in selected areas that are in place in major operating companies of the Group. 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. The internal auditors perform the internal audit functions in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors ("**IIA**").

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 FY2020.

Principle 10: Audit Committee

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

The AC comprises four independent directors, namely:

- Mr Heng Wee Koon (Chairman);
- Mr Ng Eng Leng;
- Mrs Audrey Liow; and
- Mr Chan Kiat.

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 Rules of Catalist 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 Rules of Catalist, 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. Mr Chan Kiat is Managing Director / Partner of Archipelago Capital Partners Pte. Ltd., a private equity investment firm. 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 2020 and August 2020 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.

The Group has a whistleblowing policy that allows for anonymous reporting. Full details of the policy are published on the Company's corporate website at www.hyphensgroup.com.

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 12 June 2020. Minutes of meetings for the forthcoming AGM will be published on www.hyphensgroup.com.

The Company's dividend policy 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. As such, the Board has recommended a final one-tier tax exempt dividend of 0.62 Singapore cents per share, which represents a dividend payout ratio of 30.2% of the Group's FY2020 net profits for shareholders' approval at the forthcoming AGM.

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 16.

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 FY2020.

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 FY2020.

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	1,686	5,314
General corporate and working capital purposes	3,552	1,548	2,004
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**	**8,282**	**7,318**

Non-Sponsor Fees

The continuing sponsor of the Company is DBS Bank Ltd. (the "**Sponsor**"). In FY2020, there were no non-sponsor fees paid to the Sponsor.

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 2020.

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
Tan Seok Hoong @ Mrs Audrey Liow
Chan Kiat (Appointed on 5 November 2020)

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year had no interests 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			
<u>The Company</u>				
Lim See Wah	–	–	196,214,640	196,214,640
Tan Kia King	–	–	196,214,640	196,214,640
Tan Chwee Choon	43,785,360	38,045,560	–	–

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

Name of director and companies in which interests are held	At beginning of the reporting year	At end of the reporting year
	Number of shares of no par value	
Inomed Holding Pte Ltd (Ultimate parent company)		
Lim See Wah	78,445	78,445
Tan Kia King	50,000	50,000

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

The directors' interests as at 21 January 2021 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 Performance 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 Performance 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.

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

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

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

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

In the reporting year 2019, 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 Performance 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.

During the reporting year 31 December 2020, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

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	
Tan Seok Hoong @ Mrs Audrey Liow	
Chan Kiat	

All members of the AC are independent directors.

7. Report of audit committee (cont'd)

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

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

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

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

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 2020.

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 25 February 2021, 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

31 March 2021

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 2020, 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 significant 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 2020 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) *Expected credit loss allowance on trade receivables*

Refer to Note 2A "Financial Instruments" and Note 2C "Expected credit loss allowance on trade receivables" for the relevant accounting policies and discussion of significant accounting estimates, and Notes 18 and 25D for the breakdown of trade receivables and credit risk of the Group respectively.

Key audit matter

The carrying amount of trade receivables amounted to $28,512,000 which accounted for approximately 33% of the Group's total assets as at the reporting year end.

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

The gross amount of trade receivables past due over 90 days amounted to $1,445,000. Allowance for impairment of trade receivables made was $204,000. Management is of the view that the remaining amounts are recoverable, based on their knowledge of the customers' payment history and credit worthiness.

Key audit matters (cont'd)

(a) <u>*Expected credit loss allowance on trade receivables (cont'd)*</u>

<u>*Key audit matter (cont'd)*</u>

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.

<u>*How we addressed the matter in our audit*</u>

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) <u>*Allowance on inventories*</u>

Please refer to Note 2A "Inventories" and Note 2C "Allowance on inventories" for relevant accounting policies and discussion of significant accounting estimates, and Note 17 for the breakdown of inventories of the Group.

<u>*Key audit matter*</u>

The carrying value of inventories amounted to $16,888,000, which accounted for approximately 19% of the Group's total assets as at the reporting year end. Impairment allowance on inventories made was $1,812,000.

Management applied judgement in determining the appropriate allowance for inventories by taking into consideration various factors, including prevailing market conditions, ageing analysis, future demand and anticipated selling prices.

<u>*How we addressed the matter in our audit*</u>

We have considered the appropriateness of management's judgements applied in determining the inventory impairment allowance, taking into consideration historical information and prevailing market conditions. We verified the mechanical accuracy of the allowance by reviewing the calculation criteria and recalculating them to verify that they are in line with the Group policy. We have also reviewed the Group's inventory aging and compared the carrying value of selected inventory items to the recent sales transactions.

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

(c) <u>*Assessment of impairment of goodwill*</u>

Please refer to Note 2A "Goodwill", "Carrying amounts 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 matters (cont'd)

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

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 2020. 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.

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.

(d) *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 information included in 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.

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

To The Members of Hyphens Pharma International Limited

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

(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 Lee Mong Sheong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2021

Engagement partner – effective from the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	Group 2020 $'000	Group 2019 $'000
Revenue	5	123,698	119,442
Cost of sales		(79,939)	(76,773)
Gross profit		43,759	42,669
Other income and gains	6	2,248	546
Distribution costs	7	(26,523)	(24,837)
Administrative expenses	9	(10,138)	(9,772)
Finance costs	10	(110)	(138)
Other losses	6	(2,128)	(481)
Profit before tax from continuing operations		7,108	7,987
Income tax expense	11	(945)	(1,457)
Profit from continuing operations for the year		6,163	6,530
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(60)	(52)
Other comprehensive loss for the year, net of tax		(60)	(52)
Total comprehensive income		6,103	6,478

Earnings per share		**Cents**	**Cents**
Earnings per share currency unit			
Basic and Diluted			
Continuing operations	12	2.05	2.17

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

STATEMENTS OF
FINANCIAL POSITION

As at 31 December 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Non-current assets					
Plant and equipment	14	4,807	5,948	124	167
Intangible assets	15	7,890	7,462	–	–
Investment in subsidiaries	16	–	–	19,220	19,220
Deferred tax assets	11	47	105	–	–
Total non-current assets		12,744	13,515	19,344	19,387
Current assets					
Inventories	17	16,888	11,431	–	–
Trade and other receivables	18	29,421	28,654	5,569	6,325
Prepayments		564	366	64	60
Cash and cash equivalents	19	27,526	26,165	13,449	12,468
Total current assets		74,399	66,616	19,082	18,853
Total assets		87,143	80,131	38,426	38,240
EQUITY AND LIABILITIES					
Equity					
Share capital	20	32,641	32,641	32,641	32,641
Retained earnings		29,626	26,467	5,072	4,912
Other reserves	21	(15,092)	(15,032)	–	–
Total equity		47,175	44,076	37,713	37,553
Non-current liabilities					
Deferred tax liabilities	11	409	469	–	–
Other financial liabilities, non-current	24	3,558	2,442	–	–
Total non-current liabilities		3,967	2,911	–	–
Current liabilities					
Income tax payable		1,345	1,459	3	–
Trade and other payables	23	33,240	30,628	710	687
Other financial liabilities, current	24	1,416	1,057	–	–
Total current liabilities		36,001	33,144	713	687
Total liabilities		39,968	36,055	713	687
Total equity and liabilities		87,143	80,131	38,426	38,240

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

STATEMENTS OF
CHANGES IN EQUITY

Year ended 31 December 2020

	Total equity $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000
Group				
Current year:				
Opening balance at 1 January 2020	44,076	32,641	26,467	(15,032)
Changes in equity:				
Total comprehensive income for the year	6,103	–	6,163	(60)
Dividends paid (Note 13)	(3,004)	–	(3,004)	–
Closing balance at 31 December 2020	47,175	32,641	29,626	(15,092)
Previous 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 Performance 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)

	Total equity $'000	Share capital $'000	Retained earnings $'000
Company			
Current year:			
Opening balance at 1 January 2020	37,553	32,641	4,912
Changes in equity:			
Total comprehensive income for the year	3,164	–	3,164
Dividends paid (Note 13)	(3,004)	–	(3,004)
Closing balance at 31 December 2020	37,713	32,641	5,072
Previous 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 Performance 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

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

CONSOLIDATED STATEMENT OF
CASH FLOWS

Year ended 31 December 2020

	Group	
	2020	2019
	$'000	$'000
Cash flows from operating activities		
Profit before tax	7,108	7,987
Adjustments for:		
Amortisation of intangible assets	401	406
Depreciation of plant and equipment	1,680	1,599
Interest income	(180)	(157)
Interest expense	110	138
(Gain) loss on disposal of plant and equipment	(4)	4
Loss on disposal of subsidiary	–	1
Net effect of exchange rate changes in consolidating foreign operations	(114)	(54)
Operating cash flows before changes in working capital	9,001	9,924
Trade and other receivables	(767)	1,179
Prepayments	(198)	126
Inventories	(5,457)	(568)
Trade and other payables	2,612	198
Net cash flows from operations	5,191	10,859
Income taxes paid	(1,061)	(1,406)
Net cash flows from operating activities	4,130	9,453
Cash flows from investing activities		
Purchase of plant and equipment (Notes 14 and 19A)	(371)	(502)
Purchase of intangible assets	(829)	(104)
Proceed from sale of plant and equipment	7	–
Interest received	180	157
Net cash flows used in investing activities	(1,013)	(449)
Cash flows from financing activities		
Dividends paid to equity owners	(3,004)	(1,650)
Payment of principal portion of lease liabilities	(783)	(704)
Interest paid	(110)	(138)
Proceeds from borrowings	2,441	300
Repayment of borrowings	(300)	(3,000)
Net cash flows used in financing activities	(1,756)	(5,192)
Net increase in cash and cash equivalents	1,361	3,812
Cash and cash equivalents, statement of cash flows, beginning balance	26,165	22,353
Cash and cash equivalents, statement of cash flows, ending balance (Note 19)	27,526	26,165

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 the 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.

Uncertainties relating to the COVID-19 pandemic:
The COVID-19 pandemic and the aftermath of the pandemic has caused and continues to cause disruptions resulting in uncertainties surrounding the reporting entity's business, including affecting its relationships with its existing and future customers, suppliers and employees, and which had and will continue to have an adverse effect on its financial position, financial performance of operations, cash flows and prospects for the foreseeable future. There is significant uncertainty around the medium to long term impact of the COVID-19 pandemic. Other entities are also evolving and assets held by them may have material uncertainties and / or disclaimers regarding the impact of COVID-19. These uncertainties gave rise to difficulties in making an accurate assessment by management of the future financial impacts on the reporting entity. Management will continue to closely monitor the further economic development and its impact. It is however reasonably probable that the COVID-19 pandemic will have an adverse impact on the reporting entity's revenues and results for the next reporting year, the extent of which will depend on how long the aftermath of the pandemic lasts.

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.

1. General (cont'd)

Basis of preparation of the financial statements

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

Basis of presentation

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

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

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 and modifications), net of any related 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).

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

2A. **Significant accounting policies (cont'd)**

Revenue recognition (cont'd)

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.

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 borrowings and 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 of lessee

A lease 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 right-of-use asset 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. An interest expense is recognised on the lease liability (included in finance costs).

For 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, 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

There was no business combination during the reporting 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.

Carrying amounts 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.

Expected credit loss allowance on trade receivables:

The allowance for expected credit losses (ECL) assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the COVID-19 pandemic). 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 Note 18 on trade and other receivables.

Allowance on inventories:

The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. 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 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 Note 15. Actual outcomes could vary from these estimates.

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

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

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 the prices for its revenue items; the currency of the country whose competitive forces and regulations mainly determine the prices for its revenue items; 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) related party relationships, transactions and outstanding balances, including commitments and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a Group:

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

Related companies in these financial statements refer to members of the ultimate parent company's group of companies. Also see Note 27.

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 consolidated financial statements are not disclosed as related party transactions and balances below.

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

3C. Key management compensation:

	Group	
	2020	**2019**
	$'000	**$'000**
Salaries and other short-term employee benefits	2,301	2,547

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

	Group	
	2020	**2019**
	$'000	**$'000**
Remuneration of directors of the Company	824	809
Fees to directors of the Company	185	182

Further information about the remuneration of individual directors is provided in the report on corporate governance.

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.

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	
	2020	**2019**
	$'000	**$'000**
Company		
Other receivables (other payables):		
At beginning of the year	5,990	6,277
Amounts paid out and settlement of liabilities on behalf of subsidiaries	2	213
Repayment of loan	(1,000)	–
Dividend income receivable	3,000	3,000
Dividend income received	(3,000)	(3,500)
At end of the year	4,992	5,990
Presented in the statement of financial position as follows:		
Other receivables (Note 18)	5,000	6,000
Other payables (Note 23)	(8)	(10)
At end of the year	4,992	5,990

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 "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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment										
Total revenue by segment	64,595	65,152	18,221	14,474	40,882	39,816	–	–	123,698	119,442
Total revenue	64,595	65,152	18,221	14,474	40,882	39,816	–	–	123,698	119,442
EBITDA	6,044	6,168	2,248	1,013	1,125	3,400	(118)	(451)	9,299	10,130
Finance costs	–	–	–	–	–	–	(110)	(138)	(110)	(138)
Depreciation and amortisation	(20)	(33)	(381)	(373)	–	–	(1,680)	(1,599)	(2,081)	(2,005)
Profit (loss) before tax	6,024	6,135	1,867	640	1,125	3,400	(1,908)	(2,188)	7,108	7,987
Income tax expense									(945)	(1,457)
Profit net of tax									6,163	6,530

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

4C. Assets and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total assets for reportable segments	27,657	21,490	14,831	13,476	10,849	11,539	–	–	53,337	46,505
Unallocated:										
Plant and equipment	–	–	–	–	–	–	4,807	5,948	4,807	5,948
Prepayments	–	–	–	–	–	–	564	366	564	366
Cash and cash equivalents	–	–	–	–	–	–	27,526	26,165	27,526	26,165
Other receivables	–	–	–	–	–	–	909	1,147	909	1,147
Total Group assets	27,657	21,490	14,831	13,476	10,849	11,539	33,806	33,626	87,143	80,131

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

4D. Liabilities and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total liabilities for reportable segments	19,206	16,375	3,073	2,730	9,817	10,419	–	–	32,096	29,524
Unallocated:										
Income tax payable	–	–	–	–	–	–	1,345	1,459	1,345	1,459
Financial liabilities	–	–	–	–	–	–	4,974	3,499	4,974	3,499
Trade and other payables	–	–	–	–	–	–	1,553	1,573	1,553	1,573
Total Group liabilities	19,206	16,375	3,073	2,730	9,817	10,419	7,872	6,531	39,968	36,055

4E. Other material items and reconciliations

	Specialty pharma principals		Proprietary brands		Medical hypermart and digital		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Allowance for impairment on trade receivables and inventories loss (reversal)	331	(136)	247	314	1,458	143	–	–	2,036	321
Expenditures for non-current assets	41	–	788	104	–	–	542	4,086	1,371	4,190

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

4F. Geographical information

	Revenue		Non-current assets	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	60,801	57,499	12,282	13,279
Vietnam	46,631	46,713	99	73
Malaysia	7,892	8,028	260	24
Others	8,374	7,202	56	34
Total	123,698	119,442	12,697	13,410

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 deferred tax assets.

4G. Information about major customers

	Group	
	2020	**2019**
	$'000	**$'000**
Top 1 customer in specialty and proprietary segments	23,794	19,052
Top 2 customers in specialty and proprietary segments	38,911	32,883
Top 3 customers in specialty, proprietary and hypermart segments (2019: specialty and proprietary segments)	46,574	43,457

5. Revenue

	Group	
	2020	**2019**
	$'000	**$'000**
Sale of goods	122,988	118,537
Commission income	254	341
Marketing services fees and advertisement	340	312
Other revenue	116	252
Total revenue	123,698	119,442

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 2020 $'000	Group 2019 $'000
Foreign exchange adjustments losses	(76)	(95)
Impairment allowance on inventories obsolescence [(1)]	(1,624)	–
Inventories written off	(428)	(379)
Allowance for impairment on trade receivables – reversal	16	60
Bad debts written off	–	(2)
Government grant [(2)]	2,048	329
Interest income	180	157
Gain (loss) on disposal of plant and equipment	4	(4)
Loss on disposal of subsidiary	–	(1)
Net	120	65
Presented in profit or loss as:		
Other income and gains	2,248	546
Other losses	(2,128)	(481)
Net	120	65

(1) Included provision of $1,094,000 relating to write-down of (a) personal protective equipment to net realisable value in view of a drop in market selling price due to higher supply; and (b) diagnostic test kits for COVID-19.

(2) In the current reporting year, it included grant from Jobs Support Scheme totalled $1,765,000. The purpose of the Jobs Support Scheme is to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid COVID-19 for 17 months from April 2020 to August 2021.

7. Distribution costs

The major components and other selected components include the following:

	Group 2020 $'000	Group 2019 $'000
Employee benefits expense (Note 8)	11,324	10,686
Advertising and promotional expenses	8,912	7,292

8. Employee benefits expense

	Group	
	2020	2019
	$'000	$'000
Short-term employee benefits expense	14,473	13,871
Contributions to defined contribution plans	1,510	1,534
Other benefits	454	282
Total employee benefits expense	16,437	15,687
Employee benefits expense is charged to profit or loss and included in:		
– Distribution costs (Note 7)	11,324	10,686
– Administrative expenses (Note 9)	4,817	4,698
– Cost of sales	296	303
Total employee benefits expense	16,437	15,687

9. Administrative expenses

The major components and other selected components include the following:

	Group	
	2020	2019
	$'000	$'000
Employee benefits expense (Note 8)	4,817	4,698
Rental expense (Note 24C)	264	320
Research and development expense	375	178

10. Finance costs

	Group	
	2020	2019
	$'000	$'000
Interest expense	18	21
Interest on lease liabilities	92	117
Total finance costs	110	138

11. Income tax

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

	Group	
	2020	2019
	$'000	$'000
<u>Current tax expense:</u>		
Current tax expense	1,031	1,531
Over adjustment in respect of prior periods	(84)	(146)
Sub-total	947	1,385
<u>Deferred tax (income) expense:</u>		
Deferred tax (income) expense	(2)	72
Sub-total	(2)	72
Total income tax expense	945	1,457

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% (2019: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2020	2019
	$'000	$'000
Profit before tax	7,108	7,987
Income tax expense at the above rate	1,208	1,358
Effect of different tax rates in different countries	56	109
Expenses not deductible for tax purposes	213	291
Income not subject to taxation [(a)]	(303)	–
Effect of partial tax exemption and tax relief	(195)	(169)
Over adjustment to tax in respect of prior periods	(84)	(146)
Other minor items less than 3% each	50	14
Total income tax expense	945	1,457

(a) The major not liable to tax items include grant support from Jobs Support Scheme totalling $1,765,000.

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

11. Income tax (cont'd)

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

	Group	
	2020	2019
	$'000	$'000
Mergers and acquisitions allowance carryforwards	105	105
Difference in amortisation of intangible assets	(60)	(59)
Excess of book value of plant and equipment over tax values	(47)	26
Total deferred tax (income) expense	(2)	72

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

	Group	
	2020	2019
	$'000	$'000
From deferred tax assets (liabilities) recognised in profit or loss:		
Mergers and acquisitions allowance carryforwards	–	105
Fair value of intangible assets [a]	(335)	(395)
Excess of book value of plant and equipment over tax values	(27)	(74)
Net balance	(362)	(364)
Presented in the statement of financial position as follows:		
Deferred tax assets	47	105
Deferred tax liabilities	(409)	(469)
Net balance	(362)	(364)

(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 2020 $'000	Group 2019 $'000
Numerators: profit attributable to equity:		
Continuing operations: attributable to equity holders	6,163	6,530

	2020 '000	2019 '000
Denominators: weighted average number of ordinary shares:		
At 1 January	300,430	300,000
Effect of shares issued on 15 May 2019, weighted	–	271
At 31 December	300,430	300,271

Basic and diluted earnings per share	2020 cents	2019 cents
Continuing operations	2.05	2.17

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period. The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year.

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

	2020 $'000	2019 $'000
Dividends declared and paid during the reporting year:		
Final exempt (1-tier) dividends paid of 1.00 cent (2019: 0.55 cent) per share	3,004	1,650
Proposed dividends on ordinary shares:		
Final exempt (1-tier) dividends proposed of 0.62 cent (2019: 1.00 cent) per share	1,863	3,004

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. There are no income tax consequences on the reporting entity. 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 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
Additions	171	95	276	–	542
Disposals	(1)	(21)	(95)	(19)	(136)
Foreign exchange adjustments	–	1	1	5	7
At 31 December 2020	4,402	1,108	3,417	131	9,058
Accumulated depreciation:					
At 1 January 2019	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
Depreciation for the year	880	143	647	10	1,680
Disposals	(1)	(20)	(94)	(18)	(133)
Foreign exchange adjustments	–	–	2	5	7
At 31 December 2020	1,738	874	1,512	127	4,251
Carrying value:					
At 1 January 2019	3,922	347	2,755	24	7,048
At 31 December 2019	3,373	282	2,278	15	5,948
At 31 December 2020	2,664	234	1,905	4	4,807

14. Plant and equipment (cont'd)

Company	Hardware and software $'000	Fixtures and equipment $'000	Total $'000
Cost:			
At 1 January 2019	–	207	207
Additions	2	14	16
At 31 December 2019	2	221	223
Additions	2	–	2
At 31 December 2020	4	221	225
Accumulated depreciation:			
At 1 January 2019	–	10	10
Depreciation for the year	1	45	46
At 31 December 2019	1	55	56
Depreciation for the year	1	44	45
At 31 December 2020	2	99	101
Carrying value:			
At 1 January 2019	–	197	197
At 31 December 2019	1	166	167
At 31 December 2020	2	122	124

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

The right-of-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
Additions	171
At 31 December 2020	4,029
Accumulated depreciation:	
At 1 January 2019	–
Depreciation for the year	798
At 31 December 2019	798
Depreciation for the year	830
At 31 December 2020	1,628
Carrying value:	
At 1 January 2019	3,858
At 31 December 2019	3,060
At 31 December 2020	2,401

The right-of-use assets are under lease agreements (see Note 24C).

15. Intangible assets

	Group 2020 $'000	Group 2019 $'000
Goodwill (Note 15A)	4,851	4,851
Distribution rights and trademarks (Note 15B)	3,039	2,611
Total	7,890	7,462

15A. Goodwill

	Group 2020 $'000	Group 2019 $'000
Cost:		
Balance at beginning and end of the year	5,844	5,844
Accumulated impairment:		
Balance at beginning and end of the year	993	993
Carrying value at beginning and end of the year	4,851	4,851

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 2020 $'000	Group 2019 $'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. DAC Pharmalab's core business is transferred to Pan-Malayan Pharmaceuticals Pte Ltd from March 2019 onwards. As a result, DAC Pharmalab became dormant in the reporting year 31 December 2020.

15. Intangible assets (cont'd)

15A. Goodwill (cont'd)

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)** **2020**	 **2019**
Estimated discount rates using post-tax rates that reflect current market assessments at the risks specific to the CGU	11.7%	11.7%
Revenue growth rates	3% - 5%	3% - 5%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years	5 years

Management forecasts the terminal growth rate at 1.4% (2019: 1.4%) per annum.

Actual outcomes could vary from these estimates. If the estimated annual revenue growth rates had been 1.5% (2019: 1.0%) less favourable than management's estimates, there would be a need to reduce the carrying value of goodwill by $277,000 (2019: $430,000). If the revised estimated post-tax discount rate applied to the discounted cash flows had been 2.0% (2019: 2.5%) higher than management's estimates, there would be a need to reduce the carrying value of goodwill by $59,000 (2019: $76,000). The financial reporting standards on impairment of assets does not permit reversing an impairment loss for goodwill.

15. Intangible assets (cont'd)

15B. Distribution rights and trademarks

	Group $'000
Cost:	
At 1 January 2019	4,124
Additions	104
At 31 December 2019	4,228
Additions	829
At 31 December 2020	5,057
Accumulated amortisation:	
At 1 January 2019	1,211
Amortisation for the year	406
At 31 December 2019	1,617
Amortisation for the year	401
At 31 December 2020	2,018
Carrying value:	
At 1 January 2019	2,913
At 31 December 2019	2,611
At 31 December 2020	3,039

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

16. Investment in subsidiaries

	Company	
	2020 $'000	2019 $'000
Movements during the year:		
Cost at beginning and 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	30,597	27,168

16. Investment in subsidiaries (cont'd)

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 2020 $'000	Cost in the books of the Company 2019 $'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)] [(d)]	Singapore	Dormant	–	–
PT. Hyphens Pharma Indonesia [(b)] [(e)]	Indonesia	Sales, marketing and distribution of pharmaceutical and healthcare related products and related services	–	–

(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 commenced the process to strike off subsequent to 31 December 2020.

(e) The subsidiary was incorporated on 18 March 2020 and commenced operations subsequent to 31 December 2020.

17. Inventories

	Group 2020 $'000	Group 2019 $'000
Raw materials and supplies	766	1,157
Finished goods and goods for resale [a]	16,122	10,274
	16,888	11,431
Inventories are stated after allowance.		
Movement in allowance:		
At beginning of the year	466	637
Charge to profit or loss included in other losses	1,624	–
Used	(278)	(171)
At end of the year	1,812	466
The amount of inventories included in cost of sales	75,731	72,417
The inventories written off charged to profit or loss included in other losses	428	379

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 $4,814,000 (2019: $242,000).

18. Trade and other receivables

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Trade receivables:				
Outside parties	28,716	27,727	–	–
Less allowance for impairment	(204)	(220)	–	–
Subsidiaries (Note 3)	–	–	556	325
Net trade receivables – subtotal	28,512	27,507	556	325
Other receivables:				
Staff advances	5	16	–	–
Deposits to secure services	502	565	–	–
Subsidiaries (Note 3)	–	–	5,000	6,000
Goods and services tax receivables	212	289	–	–
Other receivables	43	277	–	–
Government grant receivable [a]	147	–	13	–
Other receivables – subtotal	909	1,147	5,013	6,000
Total trade and other receivables	29,421	28,654	5,569	6,325
Movements in above allowance:				
At beginning of the year	220	281	–	–
Reversal of allowance credited to profit or loss included in other gains	(16)	(60)	–	–
Used	–	(1)	–	–
At end of the year	204	220	–	–

(a) Government grant receivable from Jobs Support Scheme.

18. Trade and other receivables (cont'd)

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring expected credit losses (ECL) which uses a lifetime ECL allowance approach for all trade receivables 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 ECL. The allowance matrix is based on the 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 including the impact of the COVID-19 pandemic. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

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

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

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

The Group's non-related party trade receivables not past due include receivables amounting to $21,115,000 (2019: $13,070,000).

(ii) Trade receivables that are past due and not impaired

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

	Group	
	2020	**2019**
	$'000	**$'000**
Past due less than 30 days	2,538	6,735
Past due 30 to 60 days	992	3,697
Past due 60 to 90 days	2,626	2,527
Past due over 90 days	1,445	1,698
Total	7,601	14,657

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

	Group	
	2020	**2019**
	$'000	**$'000**
Past due over 90 days	204	220

The allowance on trade receivables is based on individual accounts totalling $204,000 (2019: $220,000) 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 customers is about 30 to 90 days (2019: 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.

18. Trade and other receivables (cont'd)

(iii) Concentration of credit risk

The number of debtors that individually represented 5-10% of non-related party trade receivables is 5 (2019: 4).

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Top 1 customer	7,374	4,954	333	269
Top 2 customers	10,914	9,815	556	325
Top 3 customers	14,037	13,698	–	–

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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Not restricted in use	27,526	26,165	13,449	12,468

The rates of interest for the cash on interest earning balances ranged between 0.3% and 1.1% (2019: 0.32% and 2%) per annum.

19A. Non-cash transactions

	Group	
	2020	2019
	$'000	$'000
Acquisitions of certain assets under plant and equipment under lease contracts	162	–
Acquisitions of certain assets under plant and equipment under unpaid trade and other payables	9	45
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	3,858

19. Cash and cash equivalents (cont'd)

19B. Reconciliation of liabilities arising from financing activities

	2019 $'000	Cash flows $'000	Non-cash changes $'000		2020 $'000
Group					
Loans and borrowings	300	2,141	(45)	(a)	2,396
Lease liabilities	3,199	(783)	162	(b)	2,578
Total liabilities from financing activities	3,499	1,358	117		4,974

	2018 $'000	Cash flows $'000	Non-cash changes $'000		2019 $'000
Group					
Loans and borrowings	3,000	(2,700)	–		300
Lease liabilities	–	(704)	3,903	(b) (c)	3,199
Total liabilities from financing activities	3,000	(3,404)	3,903		3,499

(a) Foreign exchange movements.

(b) Acquisition.

(c) Recognition of right-of-use assets on initial application of SFRS(I) 16.

20. Share capital

	Group and Company	
	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
At 1 January 2019	300,000	32,555
Issuance of new shares pursuant to share awards under Hyphens Performance Share Plan [a]	430	86
At 31 December 2019 and 31 December 2020	300,430	32,641

(a) 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 Performance Share Plan. Also see Note 22.

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 except as mentioned below.

20. Share capital (cont'd)

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.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

21. Other reserves

	Group	
	2020	**2019**
	$'000	**$'000**
Merger reserve (Note 21A)	(15,165)	(15,165)
Foreign currency translation reserves (Note 21B)	73	133
Total	(15,092)	(15,032)

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

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 when the Group undertook a corporate restructuring in 2018 for its listing on the Catalist.

21. Other reserves (cont'd)

21B. Foreign currency translation reserves

	Group	
	2020	**2019**
	$'000	**$'000**
At beginning of the year	133	185
Exchange differences on translating foreign operations	(60)	(52)
At end of the year	73	133

The foreign currency translation reserve accumulates all foreign exchange differences.

22. Share-based payment

Under the Hyphens Performance 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.

In the reporting year 2019, 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 Performance 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.

During the reporting year 31 December 2020, there were no shares issued by virtue of the exercise of an option to take up unissued shares. No option to take up unissued shares of the Company or other body corporate in the Group was granted.

There were no employee share options granted since the commencement of the share option scheme which is more fully disclosed in the Statement by Directors.

23. Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables:				
Outside parties and accrued liabilities	32,896	30,042	690	665
Trade payables – subtotal	32,896	30,042	690	665
Other payables:				
Subsidiary (Note 3)	–	–	8	10
Outside parties	344	586	12	12
Other payables – subtotal	344	586	20	22
Total trade and other payables	33,240	30,628	710	687

24. Other financial liabilities

	Group 2020 $'000	Group 2019 $'000
Non-current:		
Lease liabilities (Note 24C)	1,726	2,442
Term loan (Note 24A)	1,832	–
Total non-current portion	3,558	2,442
Current:		
Lease liabilities (Note 24C)	852	757
Short-term revolving loans (unsecured) (Note 24B)	396	300
Term loan (Note 24A)	168	–
Total current portion	1,416	1,057
Total non-current and current	4,974	3,499
The non-current portion is repayable as follows:		
Due within 1 to 3 years	3,558	1,733
Due within 3 to 5 years	–	709
Total non-current portion	3,558	2,442

24A. Term loan

During the reporting year 31 December 2020, a subsidiary had obtained a term loan of $2,000,000 with fixed interest rate of 1.5% per annum. The loan is covered by corporate guarantee from the Company and another subsidiary in the Group. The loan is repayable over 12-month period after the first year of drawdown.

24B. Short term revolving loans

The ranges of floating interest rates paid were as follows:

	Group 2020 %	Group 2019 %
Short-term revolving loans (unsecured)	1.5% to 3.8%	3.8% to 4.0%

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.

24. Other financial liabilities (cont'd)

24C. 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	
	2020	**2019**
	$'000	**$'000**
Lease liabilities, current	852	757
Lease liabilities, non-current	1,726	2,442
	2,578	3,199

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

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings purposes. Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The weighted average incremental borrowing rate applied to lease liabilities recognised is 3.7% (2019: 3.8%) per year.

24. Other financial liabilities (cont'd)

24C. Lease liabilities (cont'd)

A summary of the maturity analysis of lease liabilities is disclosed in Note 25E. Total cash outflows from leases are shown in the consolidated statement of cash flows. The right-of-use-assets included in plant and equipment are disclosed in Note 14.

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

	Group	
	2020	2019
	$'000	$'000
Expenses relating to short-term leases included in administrative expenses	246	298
Expenses relating to leases of low-value assets included in administrative expenses	18	22
Total commitments on short-term leases at year end date	446	302

25. Financial instruments: information on financial risks

25A. 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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial assets:				
Financial assets at amortised cost	56,947	54,819	19,018	18,793
At end of the year	56,947	54,819	19,018	18,793
Financial liabilities:				
Financial liabilities at amortised cost	38,214	34,127	710	687
At end of the year	38,214	34,127	710	687

Further quantitative disclosures are included throughout these financial statements.

25B. 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.

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

25B. Financial risk management (cont'd)

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.

25C. 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.

25D. 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 and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the general approach (three-stage approach) in the financial reporting standard on financial instruments is applied to measure the impairment allowance. Under this general approach the financial assets move through the three stages as their credit quality changes. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL unless the assets are considered credit impaired. However, the simplified approach (that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life) permitted by the financial reporting standards on financial instruments is applied for financial assets that do not have a significant financing component, such as trade receivables and contract assets. 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.

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

25E. 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 (2019: 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

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

Group	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Non-derivative financial liabilities:				
2020:				
Trade and other payables	33,240	–	–	33,240
Gross borrowings commitments	566	1,848	–	2,414
Gross lease liabilities	914	1,757	–	2,671
At end of the year	34,720	3,605	–	38,325
2019:				
Trade and other payables	30,628	–	–	30,628
Gross borrowings commitments	301	–	–	301
Gross lease liabilities	846	1,812	719	3,377
At end of the year	31,775	1,812	719	34,306

There are no Company's liabilities contracted to fall due after twelve months at the end of the reporting year.

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

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.

The Group entered into forward foreign exchange contracts to mitigate its exposure against fluctuations of expected sales and purchase (forecast transactions) denominated in the non-functional currencies. The fair value of such contracts amounted to less than $1,000 at the end of the reporting year, and has not been recognised as the amount is not significant to the overall financial statements.

The Company provides financial guarantees to financial institutions for banking facilities granted to subsidiaries (see Note 24). These financial guarantees are provided without charge.

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

25E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Financial guarantee contracts – For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company	Less than 1 year $'000	1 - 3 years $'000	Total $'000
2020:			
Financial guarantee contracts – in favour of subsidiaries	564	1,832	2,396
2019:			
Financial guarantee contracts – in favour of subsidiaries	300	–	300

Bank facilities:	Group	
	2020 $'000	2019 $'000
Undrawn borrowing facilities	24,938	18,393

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.

25F. 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	
	2020 $'000	2019 $'000
Financial liabilities with interest:		
Fixed rates	4,578	3,199
Floating rates	396	300
Total at end of year	4,974	3,499

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.

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

25G. 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 $'000	Euro $'000	Vietnam Dong $'000	Indo Rupiah $'000	Others $'000	Total $'000
As at 31 December 2020:						
Financial assets:						
Cash and cash equivalents	878	1,086	201	96	–	2,261
Loan and receivables	3,681	10,460	–	2,446	–	16,587
Total financial assets	4,559	11,546	201	2,542	–	18,848
Financial liabilities:						
Trade and other payables	(4,582)	(11,381)	(2,562)	(7)	–	(18,532)
Other financial liabilities	(396)	–	–	–	–	(396)
Total financial liabilities	(4,978)	(11,381)	(2,562)	(7)	–	(18,928)
Net financial (liabilities) / assets at end of the year	(419)	165	(2,361)	2,535	–	(80)
As at 31 December 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)	(177)	(38)	(15,528)
Total financial liabilities	(6,826)	(5,857)	(2,630)	(177)	(38)	(15,528)
Net financial assets / (liabilities) at end of the year	1,389	141	(2,604)	1,182	(38)	70

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.

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

25G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2020 $'000	2019 $'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 a favourable/(an adverse) effect on pre-tax profit of	42	(139)
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	(17)	(14)
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	236	260
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Indo Rupiah with all other variables held constant would have an adverse effect on pre-tax profit of	(254)	(118)

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

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

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

26. 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	
	2020 $'000	2019 $'000
Audit fees to the independent auditor of the Company	119	119
Audit fees to the other independent auditors	22	16
Other fees to the independent auditor of the Company, including its affiliated firms	128	122

27. Events after the end of the reporting year

(a) On 5 March 2021, Inomed Holding Pte Ltd ("Inomed") has completed its capital reduction via a distribution in specie of 76,380,801 ordinary shares in the share capital of the Company held by Inomed to Dr. Tan Kia King. This resulted a reduction in the shares by Inomed and consequently, Inomed ceased to be the ultimate parent company of the Group.

(b) On 19 March 2021, the Company has granted share awards to eligible employees of the Group by the allotment of an aggregate of 1,485,000 ordinary shares ("New Shares") in the capital of the Company pursuant to the Hyphens Performance Share Plan. Subject to the satisfaction of the performance criteria, the New Shares will vest as follows:

(i) 985,000 shares on 31 December 2022
(ii) 500,000 shares on 31 March 2024

The market price of the New Shares was at $0.315 per share at the grant date.

The New Shares shall have a sale restriction moratorium period of one year from the date of issue.

28. 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 Group 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.

SFRS (I) No.	Title
SFRS (I) 3	Definition of a Business – Amendments
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments
SFRS (I) PS 2	SFRS(I) Practice Statement 2 Making Materiality Judgements
SFRS (I) 1-39; 7 and 9	Amendments to Interest Rate Benchmark Reform
SFRS (I) 16	COVID-19 Related Rent Concessions - Amendment (effective from 30 June 2020)

29. 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 Group 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) 1-1	Presentation of Financial Statements- amendment relating to Classification of Liabilities as Current or Non-current	1 January 2023
SFRS (I) 3	Definition of a Business - Reference to the Conceptual Framework – Amendments	1 January 2022
SFRS (I) 1-16	Property, Plant and Equipment: Proceeds before Intended Use – Amendments	1 January 2022
SFRS (I) 16	COVID-19-Related Rent Concessions – Amendments	1 June 2020

As at 17 March 2021

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	%
1 - 99	1	0.06	60	0.00
100 - 1,000	113	6.36	76,750	0.03
1,001 - 10,000	929	52.34	5,324,840	1.77
10,001 - 1,000,000	721	40.62	39,289,350	13.08
1,000,001 and above	11	0.62	255,739,400	85.12
TOTAL	1,775	100.00	300,430,400	100.00

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 17 March 2021, approximately 21.75% 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 “Rules of Catalist”). Accordingly, Rule 723 of the Catalist Rules is complied with.

STATISTICS OF
SHAREHOLDINGS

As at 17 March 2021

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	INOMED HOLDING PTE LTD	119,833,839	39.89
2	TAN KIA KING	76,380,801	25.42
3	TAN CHWEE CHOON	38,045,560	12.66
4	BPSS NOMINEES SINGAPORE (PTE.) LTD.	5,213,200	1.74
5	DBS NOMINEES (PRIVATE) LIMITED	5,080,700	1.69
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,288,300	0.76
7	IFAST FINANCIAL PTE. LTD.	2,068,000	0.69
8	ONG ENG SAI	1,940,000	0.65
9	PHILLIP SECURITIES PTE LTD	1,892,400	0.63
10	RAFFLES NOMINEES (PTE.) LIMITED	1,829,900	0.61
11	OCBC SECURITIES PRIVATE LIMITED	1,166,700	0.39
12	LEE YEOW HWEE OR TANG BOON LUI (CHEN WENLEI)	950,000	0.32
13	MAYBANK KIM ENG SECURITIES PTE.LTD	705,800	0.23
14	ONG POH LIM @ ONG PAO LIM	595,800	0.20
15	LIM CHER KHIANG	565,000	0.19
16	GAN KAH ANN ANDREW	500,000	0.17
17	LEE ENG KHIAN	480,000	0.16
18	SIN GUAN HENG	480,000	0.16
19	KOH SEW LEAN	461,900	0.15
20	HONG LEONG FINANCE NOMINEES PTE LTD	449,000	0.15
	TOTAL	260,927,500	86.86

Substantial shareholders as at 17 March 2021

No.	Name of Shareholders	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total	% *
1.	Inomed Holding Pte Ltd	119,833,839	–	119,833,839	39.89
2.	Lim See Wah	–	119,833,839	119,833,839	39.89
3.	Tan Kia King	76,380,801	–	76,380,801	25.42
4.	Tan Chwee Choon	38,045,560	–	38,045,560	12.66

* *Percentage is calculated based on the total number of issued ordinary shares as at 17 March 2021*

Note:

1. Mr Lim See Wah holds 100% direct interest in Inomed Holding Pte Ltd ("Inomed") and is therefore deemed to be interested in the 119,833,839 ordinary shares in the Company held by Inomed by virtue of Section 4 of the Securities and Futures Act, Cap. 289.

NOTICE IS HEREBY GIVEN that the 3rd Annual General Meeting ("**AGM**") of the Company will be convened and held by way of electronic means on Wednesday, 28 April 2021 at 2:00 pm to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Auditors' Report thereon. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 0.62 Singapore cents per ordinary share for the financial year ended 31 December 2020. **Resolution 2**

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

(a)	Mr Heng Wee Koon	[Regulation 97]	**Resolution 3**
(b)	Mr Ng Eng Leng	[Regulation 97]	**Resolution 4**
(c)	Mr Chan Kiat	[Regulation 103]	**Resolution 5**

4. To approve the Directors' fees of SGD 184,900 for the year ended 31 December 2020. **Resolution 6**

5. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

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

6. **Authority to allot and issue shares** **Resolution 8**

That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore ("**Companies Act**") and Rule 806 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to allot and issue shares and/or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit provided that:

(i) the aggregate number of shares and/or convertible securities to be issued pursuant to this resolution must not be more than one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares and/or convertible securities to be issued other than on a *pro-rata* basis to existing shareholders of the Company must not be more than fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time this resolution is passed after adjusting for:

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

(b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or sub-division of shares;

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

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

7. **Grant awards and to allot and issue shares in accordance with Hyphens Performance Share Plan** **Resolution 9**

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

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

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

8. **Grant Options and to allot and issue shares in accordance with Hyphens Employee Share Option Scheme** **Resolution 10**

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

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

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

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

BY ORDER OF THE BOARD

Lim Sher Mei (Lin Shimei)
Company Secretary

Date: 13 April 2021

EXPLANATORY NOTES

Resolution 3

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

Resolution 4

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

Resolution 5

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

Resolution 8

Resolution 8 is to empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed hundred per cent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) at the time of passing this Resolution. For allotment and issue of shares and convertible securities other than on a *pro-rata* basis to all shareholders of the Company, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any). This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting, or by the date by which the next annual general meeting is required by law to be held, whichever is earlier.

Resolution 9

Resolution 9 is to empower the Directors to grant awards and to allot and issue shares pursuant to the Performance Share Plan. The grant of awards under the Performance Share Plan will be made in accordance with the provisions of the Performance Share Plan. The aggregate number of shares which may be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time.

Resolution 10

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

NOTICE OF
ANNUAL GENERAL MEETING

NOTES

1) The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Notice will be published on the Company's website at the URL https://www.hyphensgroup.com/investor-relations/sgx-announcements/. This Notice will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2) The Annual General Meeting will be held by way of electronic means and a member will be able to watch the proceedings of the Annual General Meeting through a "live" webcast via your mobile phone, tablet or computer or listen to these proceedings through a "live" audio feed. In order to do so, a member who wishes to watch the "live" webcast or listen to the "live" audio feed must pre-register by 2.00 p.m. on Sunday, 25 April 2021, at the URL http://bit.ly/HyphensAGM2021. Following authentication of your status as members, authenticated members will receive email instructions on how to access the webcast and audio feed of the proceedings of the Annual General Meeting by 12.00 p.m. on Tuesday, 27 April 2021.

   A member who pre-registers to watch the "live" webcast or listen to the "live" audio feed may also submit questions related to the resolutions to be tabled for approval at the Annual General Meeting. To do so, all questions must be submitted by 2.00 p.m. on Sunday, 25 April 2021:

   (a) via the pre-registration website at the URL http://bit.ly/HyphensAGM2021; or

   (b) in hard copy by sending personally or by post and lodging the same at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (c) by email to Boardroom Corporate & Advisory Services Pte Ltd at AGM.TeamE@boardroomlimited.com.

3) Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) **must appoint the Chairman of the Meeting as his/her/its proxy** to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the URL https://www.hyphensgroup.com/investor-relations/sgx-announcements/ and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   Supplementary Retirement Scheme ("**SRS**") investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes by 2.00 p.m on Tuesday, 20 April 2021.

4) The Chairman of the Meeting, as proxy, need not be a member of the Company.

5) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at AGM.TeamE@boardroomlimited.com

   in either case, not less than **72 hours** before the time for holding the Annual General Meeting.

   A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.

6) The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the Meeting as proxy which was delivered by a member to the Company by 2.00 p.m. on Sunday, 25 April 2021 as a valid instrument appointing the Chairman of the Meeting as the member's proxy to attend, speak and vote at the Annual General Meeting if:

   (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and

   (b) the member has not withdrawn the appointment.

7) A member may withdraw an instrument appointing the Chairman of the Meeting or other person(s) as proxy(ies) by sending an email to the Company's Share Registrar at AGM.TeamE@boardroomlimited.com to notify the Company of the withdrawal, at least **72 hours** before the time for holding the Annual General Meeting.

8) The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.

9) The Annual Report for the financial year ended 31 December 2020 ('**2020 Annual Report**") may be accessed at the Company's website at the URL https://www.hyphensgroup.com/investor-relations/annual-report-other-reports/ and will also be made available on the SGX website at the URL: https://sgx.com/securities/company-announcements.

PERSONAL DATA PRIVACY

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

NOTICE OF RECORD AND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 12 May 2021 for the purpose of determining members' entitlements to a final tax exempt (one-tier) dividend of 0.62 Singapore cents per ordinary share for the financial year ended 31 December 2020 ("**Proposed Final Dividend**"). The Proposed Final Dividend, if approved by shareholders at the AGM, will be paid on 25 May 2021.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 up to the close of business at 5:00 p.m. on 11 May 2021 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5:00 p.m. on 11 May 2021 will be entitled to the Proposed Final Dividend.

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

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT
1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Notice of Annual General Meeting dated 13 April 2021. This announcement may also be accessed at the URL: https://www.hyphensgroup.com/investor-relations/sgx-announcements/
2. A member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. A relevant intermediary may appoint the Chairman of the Meeting to attend the Annual General Meeting and vote (please see Note 7 for the definition of "relevant intermediary").
4. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy.
5. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ________________________________ NRIC/Passport number/Co. Reg. No. ________________________

of ____

being a member/members of Hyphens Pharma International Limited (the "**Company**") hereby appoint the **Chairman** of the 3rd Annual General Meeting of the Company (the "**Annual General Meeting**"), as my/our proxy/proxies to attend, speak and to vote for me/us on my/our behalf, at the Annual General Meeting to be held by way of electronic means on Wednesday, 28 April 2021 at 2.00 p.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the AGM please indicate with a "√" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.)

No.	Resolutions	For	Against	Abstain
ORDINARY BUSINESS				
1.	To receive and adopt the Directors' Statement, Audited Financial Statements and Auditor's Report			
2.	To declare a final tax exempt (one-tier) dividend of 0.62 Singapore cents per ordinary share			
3.	To re-elect Mr Heng Wee Koon as Director			
4.	To re-elect Mr Ng Eng Leng as Director			
5.	To re-elect Mr Chan Kiat as Director			
6.	To approve the Directors' fees payable by the Company			
7.	To re-appoint RSM Chio Lim LLP as Auditors			
SPECIAL BUSINESS				
8.	To authorise the Directors to allot and issue new shares			
9.	To authorise the Directors to grant awards and issue shares in accordance with the Hyphens Performance Share Plan			
10.	To authorise the Directors to grant options and issue shares in accordance with the Hyphens Share Option Scheme			

Dated this __________ day of ________________________ 2021

Total number of Shares held

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

IMPORTANT: PLEASE READ NOTES

NOTES:

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

2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) **must appoint the Chairman of the Meeting as his/her/its proxy** to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website and will also be made available on the SGX website.

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes by 2.00 p.m. on Tuesday, 20 April 2021.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at AGM.TeamE@boardroomlimited.com,

   in either case, not less than **72 hours** before the time for holding the Annual General Meeting.

   A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.

5. Where an instrument appointing the Chairman of the Meeting as proxy is sent by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   Where an instrument appointing the Chairman of the Meeting as proxy is submitted by email, it must be authorised in the following manner:

   (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or

   (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

6. A member may withdraw an instrument appointing the Chairman of the Meeting or other person(s) as proxy(ies) by sending an email to the Company's Share Registrar at AGM.TeamE@boardroomlimited.com to notify the Company of the withdrawal, at least **72 hours** before the time for holding the Annual General Meeting.

7. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint the Chairman of the Meeting to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member.

   "**relevant intermediary**" means:

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

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

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

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2021.

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