

**iX Biopharma Ltd.**

(Company Registration No. 200405621W)

**UNAUDITED FINANCIAL STATEMENTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2019**
**1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group 3 months ended			Group 9 months ended		
	31.03.19 S\$'000	31.03.18 S\$'000 (Restated) <sup>#</sup>	Incr/(Decr) %	31.03.19 S\$'000	31.03.18 S\$'000 (Restated) <sup>#</sup>	Incr/(Decr) %
<b>Continuing Operations</b>						
Revenue	333	94	254%	542	177	206%
Cost of sales	(502)	(135)	273%	(857)	(192)	346%
<b>Gross Loss</b>	<b>(169)</b>	<b>(41)</b>	312%	<b>(315)</b>	<b>(15)</b>	2,000%
Other income	251	199	26%	834	1,038	(20%)
Expenses						
- Research and development	(632)	(1,605)	(61%)	(2,985)	(4,715)	(37%)
- Sales and marketing	(443)	(403)	10%	(1,458)	(1,172)	24%
- General and administrative	(1,681)	(1,347)	25%	(4,522)	(4,128)	10%
- Others †	(121)	(885)	(86%)	(1,170)	(1,695)	(31%)
- Finance expense	(57)	(34)	68%	(177)	(108)	64%
Total expenses	(2,934)	(4,274)	(31%)	(10,312)	(11,818)	(13%)
<b>Loss before income tax</b>	<b>(2,852)</b>	<b>(4,116)</b>	(31%)	<b>(9,793)</b>	<b>(10,795)</b>	(9%)
Income tax credit	19	34	(44%)	36	90	(60%)
<b>Loss from continuing operations</b>	<b>(2,833)</b>	<b>(4,082)</b>	(31%)	<b>(9,757)</b>	<b>(10,705)</b>	(9%)
<b>Discontinued Operation</b>						
Loss from operation, net of tax	(175)	(217)	(19%)	(94)	(16)	(488%)
Gain on disposal of subsidiary	10,629	-	n.m.	10,629	-	n.m.
<b>Profit/(Loss) from discontinued operation</b>	<b>10,454</b>	<b>(217)</b>	n.m.	<b>10,535</b>	<b>(16)</b>	n.m.
<b>Total profit/(loss)</b>	<b>7,621</b>	<b>(4,299)</b>	n.m.	<b>778</b>	<b>(10,721)</b>	n.m.
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Gain / (Loss)	185	402	(54%)	873	529	65%
<b>Total comprehensive profit/(loss)</b>	<b>7,806</b>	<b>(3,897)</b>	n.m.	<b>1,651</b>	<b>(10,192)</b>	n.m.

**Note**
<sup>#</sup> During the quarter, the Group disposed its entire laboratory testing business held under Chemical Analysis Pty Ltd ("CAPL") and the disposal of CAPL was completed on 15 March 2019. Accordingly, the Group decided to account and report all laboratory testing activities of CAPL, prior to its disposal as part of Discontinued Operation in the current financial year and restated its comparative in the Consolidated Statement of Comprehensive Income.

<sup>†</sup> Comprises net currency exchange (losses) / gains principally due to unrealised translation differences arising from foreign currency deposits.

n.m. : not meaningful  
 Incr/(Decr) : Increase / (Decrease)

**1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:**

Total profit /(loss) of the Group is arrived at after charging/crediting the following:

	Note	Group			Group		
		3 months ended			9 months ended		
		31.03.19 S\$'000	31.03.18 S\$'000	Incr/ (Decr) %	31.03.19 S\$'000	31.03.18 S\$'000	Incr/ (Decr) %
<b>After crediting:</b>							
Research and development tax incentive	(i)	133	109	22%	408	843	(52%)
Interest income		31	60	(48%)	143	154	(7%)
Gain on disposal of subsidiary		10,629	-	n.m.	10,629	-	n.m.
<b>After charging:</b>							
Share-based payment expense	(ii)	246	77	219%	606	333	82%
Depreciation and amortisation expense		304	362	(16%)	1,049	1,044	0%
Currency exchange losses - net		121	885	(86%)	1,170	1,696	(31%)
Interest expense		63	67	(6%)	194	201	(3%)

- (i) The research and development (R&D) tax incentive is a programme administered jointly by the Australian Taxation Office and Innovation Australia which provides a rate of 43.5% refundable tax offset for expenditure incurred for eligible R&D activities.
- (ii) The share-based payment expense was due to amortisation of the fair value of the share options granted to employees over the vesting period.

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

	Group		Company	
	31.03.19	30.06.18	31.03.19	30.06.18
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	17,685	21,066	15,325	18,880
Trade and other receivables	2,401	2,033	11,808	5,220
Other current assets	510	486	309	305
Inventories	744	528	-	-
	21,340	24,113	27,442	24,405
<b>Non-current assets</b>				
Deposits – operating lease	81	-	81	-
Intangible assets	312	865	-	-
Property, plant and equipment	7,831	8,096	274	124
Deferred income tax asset	69	-	-	-
Investments in subsidiaries	-	-	1,966	5,404
	8,293	8,961	2,321	5,528
<b>Total assets</b>	29,633	33,074	29,763	29,933
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	1,881	6,776	1,257	1,416
Borrowings	211	285	23	-
Provision	39	71	-	-
	2,131	7,132	1,129	1,416
<b>Non-current liabilities</b>				
Provision	4	61	-	-
Deferred government grant	-	17	-	-
Borrowings	3,720	4,254	86	-
Deferred income tax liabilities	-	90	-	-
	3,724	4,422	86	-
<b>Total liabilities</b>	5,855	11,554	1,366	1,416
<b>NET ASSETS</b>	23,778	21,520	28,397	28,517
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	71,525	71,129	71,525	71,129
Other reserves	1,721	637	407	196
Accumulated losses	(49,468)	(50,246)	(43,535)	(42,808)
<b>Total equity</b>	23,778	21,520	28,397	28,517

**1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.**

	31.03.19	30.06.18
	S\$'000	S\$'000
Amount repayable in one year or less, or on demand		
- Secured	211	285
Amount repayable after one year		
- Secured	3,720	4,254
<b>Total borrowings</b>	3,931	4,539

**Details of any collateral:**

The loans are secured over land and building, certain plant and equipment and motor vehicles of subsidiaries of the Group.

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

	Group		Group	
	3 months ended		9 months ended	
	31.03.19	31.03.18	31.03.19	31.03.18
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Total profit/(loss) after tax	7,621	(4,299)	778	(10,721)
Adjustments for:				
- Deferred government grant income	(4)	(4)	(12)	(13)
- Depreciation and amortisation expense	304	362	1,049	1,044
- Gain on disposal of subsidiary	(10,629)	-	(10,629)	-
- Income tax credit	1	(35)	(59)	(90)
- Interest income	(31)	(60)	(143)	(154)
- Interest expense	63	67	194	201
- Provision	58	26	59	19
- Research and development tax incentive	(133)	(109)	(408)	(843)
- Share based payment expense	246	77	606	333
- Unrealised currency exchange losses/(gains) – net	27	853	837	1,666
	(2,477)	(3,122)	(7,728)	(8,558)
Changes in working capital:				
- Trade and other receivables	328	141	87	380
- Other current assets	(504)	127	(352)	264
- Trade and other payables	(1,334)	529	(3,906)	407
- Inventories	42	(98)	(238)	(627)
<b>Cash used in operations</b>	(3,945)	(2,423)	(12,137)	(8,134)
Interest received	23	36	144	103
Research and development tax incentive received	-	-	-	-
<b>Net cash used in operating activities</b>	(3,921)	(2,387)	(11,993)	(8,031)
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment	(151)	(125)	(1,487)	(896)
Disposal of a subsidiary, net of cash disposed of	10,788	-	10,788	-
Additions to intangible assets	-	(53)	-	(59)
<b>Net cash used in investing activities</b>	10,637	(178)	9,301	(955)
<b>Cash flows from financing activities</b>				
Decrease in fixed deposit pledge	-	-	400	-
Repayment of borrowings	(370)	(63)	(520)	(219)
Proceeds from borrowings	-	-	-	308
Interest paid	(63)	(67)	(194)	(201)
<b>Net cash (used in)/from financing activities</b>	(433)	(130)	(314)	(112)
<b>Net (decrease)/increase in cash and cash equivalents</b>	6,282	(2,695)	(3,006)	(9,098)
<b>Cash and cash equivalents</b>				
Beginning of financial period	11,363	23,671	20,666	30,688
Effects of currency translation on cash and cash equivalents	40	(282)	25	(896)
End of financial period	17,685	20,694	17,685	20,694

**Note:**

**A. Cash and cash equivalents comprise the following:**

Cash and cash equivalents in Balance Sheet  
Less: Bank deposits pledged

Cash and cash equivalents per consolidated statement of cash flows

Bank deposits are pledged as security for a foreign exchange facility.

	Group	Group
	31.3.19	31.3.18
	S\$'000	S\$'000
	17,685	21,094
	-	(400)
	17,685	20,694

B. The Group purchased property, plant and equipment with an aggregate cost of \$0.65 million during 1Q19. Of the total purchase, \$0.12 million was acquired under finance lease arrangement.

C. Reconciliation of liabilities arising from financing activities

	1 July 2018	Principal and interest payments	Non-cash change			31 Mar 2019
	\$'000		\$'000	\$'000		
			Acquisition	Interest expense	Foreign exchange movement	\$'000
Borrowings	4,539	(714)	124	194	(212)	3,931

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

Group	Attributable to equity holders of the Company				
	Share capital	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1 July 2018</b>	71,129	196	441	(50,246)	21,520
Loss for the period	-	-	-	(6,843)	(6,843)
Other comprehensive loss for the period	-	-	748	-	748
Total comprehensive loss for the period	-	-	748	(6,843)	(6,095)
Share based payment scheme					
- Value of employees' services	-	361	-	-	361
- Shares issued pursuant to iX Performance Share Plan	396	(396)	-	-	-
Total transactions with owners, recognised directly in equity	396	(35)	-	-	361
<b>At 31 December 2018</b>	<b>71,525</b>	<b>161</b>	<b>1,189</b>	<b>(57,089)</b>	<b>15,786</b>
Profit/(Loss) for the period	-	-	-	7,621	7,621
Other comprehensive gain for the period	-	-	185	-	185
Total comprehensive loss for the period	-	-	185	7,621	7,806
Share based payment scheme					
- Value of employees' services	-	246	-	-	246
- Shares issued pursuant to iX Performance Share Plan	-	-	-	-	-
Disposal of a subsidiary	-	-	(60)	-	(60)
Total transactions with owners, recognised directly in equity	-	246	(60)	-	186
<b>At 31 March 2019</b>	<b>71,525</b>	<b>407</b>	<b>1,314</b>	<b>(49,468)</b>	<b>23,778</b>
<b>At 1 July 2017</b>	70,131	787	(141)	(35,152)	35,625
Loss for the period	-	-	-	(6,423)	(6,423)
Other comprehensive loss for the period	-	-	129	-	129
Total comprehensive loss for the period	-	-	(12)	(6,423)	(6,435)
Share based payment scheme					
- Value of employees' services	-	256	-	-	256
- Shares issued pursuant to iX Performance Share Plan	998	(998)	-	-	-
Total transactions with owners, recognised directly in equity	998	(742)	-	-	256
<b>At 31 December 2017</b>	<b>71,129</b>	<b>45</b>	<b>(12)</b>	<b>(41,575)</b>	<b>29,587</b>

Attributable to equity holders of the Company					
Group	Share capital	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 31 December 2017</b>	<b>71,129</b>	<b>45</b>	<b>(12)</b>	<b>(41,575)</b>	<b>29,587</b>
Loss for the period	-	-	-	(4,299)	(4,299)
Other comprehensive loss for the period	-	-	402	-	402
Total comprehensive loss for the period	-	-	402	(4,299)	(3,897)
Share based payment scheme					
- Value of employees' services	-	77	-	-	77
- Shares issued pursuant to iX Performance Share Plan	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	77	-	-	77
<b>At 31 March 2018</b>	<b>71,129</b>	<b>122</b>	<b>390</b>	<b>(45,874)</b>	<b>25,767</b>

Attributable to equity holders of the Company				
Company	Share capital	Share based payment reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1 July 2018</b>	<b>71,129</b>	<b>196</b>	<b>(42,808)</b>	<b>28,517</b>
Loss for the period	-	-	(5,800)	(5,800)
Total comprehensive loss for the period	-	-	(5,800)	(5,800)
Share based payment scheme				
- Value of employees' services	-	361	-	361
- Shares issued pursuant to iX Performance Share Plan	396	(396)	-	-
Total transactions with owners, recognised directly in equity	396	(35)	-	361
<b>At 31 December 2018</b>	<b>71,525</b>	<b>161</b>	<b>(48,608)</b>	<b>23,078</b>
Loss for the period	-	-	5,073	5,073
Total comprehensive loss for the period	-	-	5,073	5,073
Share based payment scheme				
- Value of employees' services	-	246	-	246
- Shares issued pursuant to iX Performance Share Plan	-	-	-	-
Total transactions with owners, recognised directly in equity	-	246	-	246
<b>At 31 March 2019</b>	<b>71,525</b>	<b>407</b>	<b>(43,535)</b>	<b>28,397</b>
<b>At 1 July 2017</b>	<b>70,131</b>	<b>787</b>	<b>(34,881)</b>	<b>36,037</b>
Loss for the period	-	-	(4,053)	(4,053)
Total comprehensive loss for the period	-	-	(4,053)	(4,053)
Share based payment scheme				
- Value of employees' services	-	256	-	256
- Shares issued pursuant to iX Performance Share Plan	998	(998)	-	-
Total transactions with owners, recognised directly in equity	998	(742)	-	256
<b>At 31 December 2017</b>	<b>71,129</b>	<b>45</b>	<b>(38,934)</b>	<b>32,240</b>

**Attributable to equity holders of the Company**

<b>Company</b>	<b>Share capital</b>	<b>Share based payment reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 31 December 2017</b>	<b>71,129</b>	<b>45</b>	<b>(38,934)</b>	<b>32,240</b>
Loss for the period	-	-	(2,301)	(2,301)
Total comprehensive loss for the period	-	-	(2,301)	(2,301)
Share based payment scheme				
Value of employees' services	-	77	-	77
- Shares issued pursuant to iX Performance Share Plan	-	-	-	-
Total transactions with owners, recognised directly in equity	-	77	-	77
<b>At 31 March 2018</b>	<b>70,129</b>	<b>122</b>	<b>(41,235)</b>	<b>30,016</b>

Save for the foregoing, there are no (i) changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

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

<b>Company</b>	<b>No. of ordinary shares</b>	<b>Amount</b>
		S\$'000
<b>At 1 July 2018 and 30 September 2018</b>	642,695,724	71,129
Shares issued pursuant to iX Performance Share Plan	1,898,333	396
<b>At 31 March 2019</b>	<b>644,594,057</b>	<b>71,525</b>

On 16 November 2018, the Company issued 1,898,333 ordinary shares pursuant to iX Performance Share Plan. No share was issued to a Director or controlling shareholder (and each of their associates).

On 16 November 2018, the Company announced total awards of 4,633,333 shares to certain employees and executives under iX Performance Share Plan. No award was granted to a Director or controlling shareholder (and each of their associates). The Company has not granted any options under iX Employee Share Option Scheme since its inception.

Save as disclosed, there are no other changes in the Company's share capital arising from any rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous reported period.

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
<b>As at 31 March 2019</b>		
iX Performance Share Plan	4,100,000	4,100,000
<b>As at 31 March 2018</b>		
iX Performance Share Plan	1,398,000	1,398,000

There were no treasury shares and subsidiary holdings as at 31 March 2019 and 31 March 2018.

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

As at 31 March 2019, the number of issued shares excluding treasury shares was 644,594,057 (30 June 2018: 642,695,724).

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

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

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

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

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

The figures have not been audited nor reviewed by the Company's auditor.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2018.

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

On 1 July 2018, the Group adopted the standards, amendments and interpretations to existing standards that are mandatory for application from that date. The following are the new or amended FRS that are relevant to the Group:

- FRS 109 Financial instruments



- FRS 115 Revenue from contracts with customers

As required by the listing requirements of the Singapore Exchange, the Group has also adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to SFRS(I) ("SFRS(I) INT") that are mandatory for the accounting periods beginning on or after 1 July 2018. The adoption of these new and revised SFRS(I) and SFRS(I) INT did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**  
**(a) based on the weighted average number of ordinary shares on issue; and**  
**(b) on a fully diluted basis (detailing any adjustments made to the earnings).**

	Group		Group	
	3 months ended		9 months ended	
	31.03.19	31.03.18	31.03.19	31.03.18
Net profit /(loss) attributable to equity holders of the Company (S\$'000)				
- Continuing operations	(2,833)	(4,082)	(9,757)	(10,705)
- Discontinued operation	10,454	(217)	10,535	(16)
Weighted average number of shares outstanding ('000)				
- Basic	644,594	642,696	643,576	641,631
- Diluted	648,694	642,696	646,361	641,631
Basic profit /(loss) per share (Cents per share)				
- Continuing operations	(0.44)	(0.64)	(1.52)	(1.67)
- Discontinued operation	1.62	(0.03)	1.64	-*
Diluted profit /(loss) per share (Cents per share)				
- Continuing operations	(0.44)	(0.64)	(1.52)	(1.67)
- Discontinued operation	1.61	(0.03)	1.63	-*

\* less than 0.01 Cent

The Company has 4,100,000 share awards under iX Performance Share Plan (31 March 2018: 1,398,000 shares awards).

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

	Group		Company	
	31.03.19	30.06.18	31.03.19	30.06.18
Net asset value per ordinary share (in cents)	3.7	3.3 <sup>#</sup>	4.4	4.4

<sup>#</sup> includes net assets of CAPL as part of the consolidated group prior to its disposal.

The net asset value per ordinary share of the Group and the Company as at 31 March 2019 were calculated based on the total number of issued shares of 644,594,057 (30 June 2018: 642,695,724).

There were no treasury shares as at 31 March 2019 and 30 June 2018.

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

#### **Overview**

The Group is a late-stage specialty pharmaceutical company focused on the development and commercialisation of innovative therapies for improving the quality of life of those suffering from pain and other health conditions. The Company leverages its drug formulation expertise and patented sublingual drug delivery technology, **WaferiX™**, to develop products for rapid onset of action with potentially more predictable effects and ease of use. The Group's nutraceuticals division, Entity Health, is engaged in the development and commercialisation of nutraceutical products that address specific health conditions and improve quality of lifestyles throughout all phases of life.

On 18 March 2019, the Company announced that it had disposed of Chemical Analysis Pty Ltd (CAPL), which operated the Group's laboratory testing business in Australia. The Company had received a cash offer of A\$12.5 million from Eurofins Australia New Zealand Holding Pty Ltd, which translates to a net gain on disposal of S\$10.6 million. In evaluating the offer, the Board also considered the need to prioritise the Group's core business, which is the development and commercialisation of innovative therapies through its pharmaceutical and nutraceutical businesses, to address areas of unmet health needs. The offer came at an opportune time as the Group anticipated that it would need funding to develop its core businesses, including pursuing the out-licensing of its Wafermine product, and on sales and marketing of the Entity nutraceuticals. Given that the laboratory testing business was a non-core business which is facing increasing competition in Australia, the Board determined that the disposal of CAPL would be in the interest of its shareholders. The Group has retained three analytical chemists from CAPL who are now establishing a research and development chemical testing laboratory within iX Syrx Pty Ltd. The laboratory is expected to be fully operational during the next quarter and will provide cost-effective testing of raw materials and finished products to support research and development activities for the Group's nutraceutical business.

Accordingly, the Group decided to account for and report all laboratory testing activities of CAPL prior to its disposal as part of Discontinued Operation in current financial year. Continuing Operations comprise of the Group's specialty pharmaceutical and nutraceutical businesses.

During the quarter, the Group has continued to progress the development of its pharmaceutical and nutraceutical product pipeline.

#### ***Wafermine***

KET010 reported positive top-line efficacy and safety results in September 2018. KET010 was a randomized, double-blind, placebo-controlled phase 2 study to demonstrate the efficacy of Wafermine in patients experiencing acute pain following bunionectomy or abdominoplasty surgery. The study was conducted under an Investigational New Drug (IND) application with the US FDA (Food & Drug Administration).

Following our request for an End-of-Phase-2 (EOP2) meeting with the US FDA where the Phase 3 program will be determined, the EOP2 meeting has been scheduled to take place in late1Q20.

Background: As previously advised, to obtain marketing approval for the indication of acute moderate to severe pain with the US FDA, the Company is required to demonstrate the efficacy of Wafermine in two separate Phase 3 studies, one in a bony surgical pain model (e.g. bunionectomy) and the other in a soft tissue surgery model (e.g. abdominoplasty).

#### ***Wafesil and Silcap***

As previously announced, the Group obtained marketing approval from the TGA in Australia for Wafesil and Silcap in June and August 2018, respectively. Both products are approved for the treatment of male erectile dysfunction in Australia.

The Group is preparing for the market launch of these products in Australia, anticipated in 4Q19 with revenues expected in the subsequent financial year. It will be supplied to the market via wholesaler and pharmacy channels.

The Group filed for marketing approval for Silcap with Singapore Health Sciences Authority (HSA) in during the quarter. In the European market, we plan to file in 4Q19.

Both Wafesil and Silcap are available in dosage strengths of 25 mg and 50 mg in pack sizes of 4, 8 and 12 wafers and capsules, respectively.

### **BnoX**

Following the successful completion of the Phase 1 PK study, BUP001, in 3Q17, the results of which were published in the prestigious American medical journal, Pain Medicine, in January 2018, the Group has decided to defer further R&D activities on BnoX and reprioritise its resources.

### **Nutraceuticals – Entity Health**

Since 1Q19, the Group has identified Australia as the market to initially focus its sales and marketing efforts. The Group continues to utilise the soft launch phase to gather data and feedback regarding the acceptance of Entity products in the market place, optimise production capacity and improve logistical capabilities to meet demand. Additionally, the Group continued to build on its strategy of growing the number of stockists for its product line in Australia. To stimulate uptake by the stores, the Group promoted its popular lifestyle products for hangover relief, skin repair and stress management. As a result, the number of stockists distributing Entity nutraceuticals, including pharmacies and health food stores, grew from 50 to 80 in the last quarter. The pharmacies include some of the larger premium pharmacy chains in Australia such as Priceline Pharmacy and TerryWhite Chemmart in high traffic, cosmopolitan locations.

The Group intends to expand the sale of Entity products to pharmacy stores across Australia by first growing the number of stockists in NSW and Victoria. This will allow the brand to build a sales track record and to attract and garner greater interest among the larger banner groups operating nationally. In Australia, pharmacy groups generally do not undertake a review of new product ranges during the early parts of the calendar year. In the next quarter the Group will continue to target some of the larger independent pharmacy groups which have 30 to 90 stores each.

The Group is planning a nationwide marketing launch in Australia for Entity products upon achieving ranging in nationwide groups, anticipated in 1Q20. This encompasses a nationwide marketing launch featuring the Entity brand and selected products to promote consumer awareness. Following an internal review to evaluate compliance of the Entity products with the new TGA Advertising Code which became effective in January 2019, the Group will commence preparations for the marketing launch.

Pharmacies that market our products in Australia, particularly those that serve ethnic Asian communities and those with export businesses to China, have expressed strong interest for LumeniX, Entity's innovative skin-brightening and antioxidant formula delivered using the WaferiX sublingual technology. LumeniX holds great appeal to those customers searching for beauty supplements, and in particular supplements that can help them to achieve skin fairness faster.

## **Review of performance for quarter (3Q19) and nine months (9M19) ended 31 March 2019**

### **Continuing Operations**

*Continuing Operations comprise of the Group's specialty pharmaceutical and nutraceutical businesses.*

<b>Revenue</b>	<b>3Q19</b>	<b>3Q18</b>	<b>Incr/ (Decr)</b>	<b>9M19</b>	<b>9M18</b>	<b>Incr/ (Decr)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Specialty Pharmaceutical	300	37	711%	351	74	374%
Nutraceuticals	33	57	(42%)	191	103	85%
<b>Total revenue</b>	<b>333</b>	<b>94</b>	<b>254%</b>	<b>542</b>	<b>177</b>	<b>206%</b>

Included in the revenue of the specialty pharmaceutical business for 3Q19 and 9M19 is project income amounting to S\$281,000 attributed to the development of a medicinal cannabis product incorporating cannabis extracts provided by ASX-listed Bod Australia Limited (Bod Australia). The product development was successfully completed and delivered to Bod Australia for their Phase I clinical study.

The revenue attributed to the nutraceutical division, Entity Health, decreased by S\$0.03 million compared to the corresponding quarter last year, as the Group experienced seasonally low retail conditions in Australia in this quarter. In 9M19, its revenue grew by 85% to S\$0.19 million (S\$0.10 million in 9M18).

The Group's cost of sales, comprising mainly personnel and material and other expenses relating to manufacturing, was S\$0.50 million in 3Q19 as compared to S\$0.14 million in 3Q18. In 9M19, cost of sales was S\$0.86 million as compared to S\$0.19 million in 9M18. The higher cost of sales was in line with the Group's plan to gear up its manufacturing resources in preparation for the supply of its nutraceutical products for national launch.

The Group recorded a gross loss of S\$0.17 million in 3Q19 versus S\$0.04 million in 3Q18. For the nine-month period, the Group recorded a gross loss of S\$0.32 million in 9M19 versus S\$0.02 million in 9M18.

### **Other income - Research and Development (R&D) Incentive**

The Group conducts its R&D activities through its wholly-owned subsidiaries in Australia and has been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia. This incentive provides a rate of 43.5% refundable tax offset for eligible R&D expenditure incurred in Australia by these subsidiaries. The Group recognised a higher R&D incentive of S\$0.13 million compared to S\$0.11 million in 3Q18 due to mix of the eligible expenditure qualified for R&D incentive.

### **Expenses**

The expense items in loss before tax were analysed below:

#### R&D expense

The Group undertook R&D activities in pharmaceutical product developments, including formulation and manufacturing for clinical trials.

R&D expense was S\$0.63 million in 3Q19 as compared to S\$1.61 million in 3Q18. For the nine-month period, R&D expense was S\$2.99 million in 9M19 as compared to S\$4.72 million in 9M18. The decrease was mainly due to timing and progress of KET010 clinical study which had since completed in 1Q19.

#### Sales and marketing

Sales and marketing expense rose by 10% to S\$0.44 million in 3Q19 (S\$0.40 million in 3Q18) and 24% to S\$1.46 million in 9M19 (S\$1.17 million in 9M18), mainly attributed to increases in personnel and market research expenses.

#### General and administrative (G&A)

The Group incurred higher G&A expenses of S\$1.68 million in 3Q19 compared to S\$1.35 million in 3Q18, up by 25%. This was due to higher share-based payment expenses.

For 9M19, G&A expense increased by S\$0.39 million or 10% to S\$4.52 million as compared to S\$4.13 million in 9M18, which was higher mainly due to higher share-based payment expenses.

#### Others

Others consist solely of currency exchange gain/loss.

Currency exchange loss was S\$0.12 million in 3Q19 as compared to a net loss of S\$0.89 million in 3Q18. For 9M19, currency exchange loss was S\$1.17 million as compared to a net loss of S\$1.70

million in 9M18. This arose mainly from the impact of the depreciation of the Australian dollar against the Singapore dollar during the quarter on the receivables from its subsidiaries.

### **Discontinued Operation**

*Discontinued operation comprised the laboratory testing business under CAPL.*

During the quarter, the Group disposed of its laboratory testing business. Accordingly, the Group decided to account and report all laboratory testing activities of CAPL prior to its disposal as part of Discontinued Operation in the current financial year. The disposal was completed on 15 March 2019 at a gross consideration of A\$12.50 million.

After considering certain adjustments to the gross consideration in accordance with the sale and purchase agreement, the Group recognised a net gain on disposal of approximately S\$10.63 million in the income statement.

### **Review of financial position**

The consolidated balance sheet of the Group as at 31 March 2019 does not include the assets and liabilities of disposed laboratory testing business under CAPL.

The effects of excluding CAPL's assets and liabilities on the changes in the financial positions of the Group are:

	<b>The Group</b>		<b>Changes</b>	<b>Effect of CAPL</b>	<b>Net Changes</b>
	<b>31.03.19</b>	<b>30.06.18</b>			
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Cash and cash equivalents	17,685	21,066	(3,381)	104	(3,277)
Trade and other assets	2,992	2,519	473	803	1,276
Inventories	744	528	216	-	216
Intangible assets	312	865	(553)	538	(15)
Property, plant and equipment	7,831	8,096	(265)	1,205	940
Deferred tax asset/(liabilities)	69	(90)	159	(90)	69
<b>Assets</b>	<b>29,633</b>	<b>32,984</b>	<b>(3,351)</b>	<b>2,560</b>	<b>(791)</b>
Trade and other liabilities	1,881	6,793	(4,912)	918	(3,994)
Borrowings	3,931	4,539	(608)	374	(234)
Provisions	43	132	(89)	132	43
<b>Total Liabilities</b>	<b>5,855</b>	<b>11,464</b>	<b>(5,609)</b>	<b>1,424</b>	<b>(4,185)</b>
<b>Net Assets</b>	<b>23,778</b>	<b>21,520</b>	<b>2,258</b>	<b>1,136</b>	<b>3,394</b>

Except for the effect of CAPL above, significant changes in the financial positions of the Group are as follow:

As at 31 March 2019, the Group's cash and cash equivalents was S\$17.69 million. The decrease of S\$3.38 million was mainly due to S\$11.99 million in cash outflows in operating activities (which included R&D expenses of S\$2.99 million), S\$1.49 million for purchase of equipment (substantially for manufacturing) and S\$0.71 million in loan related payments. This was offset by \$10.79 million received from the disposal of laboratory testing business.

Trade and other receivables increased mainly due to additional accrued R&D incentive receivable and A\$0.83 million being the balance of net proceeds receivable from the disposal of CAPL.

Increase in inventories of S\$0.22 million comprised raw materials of S\$0.13 million, work in progress of S\$0.06 million and finished goods of S\$0.03 million, principally related to our new nutraceutical products.

Increase in Property, plant and equipment was attributed to S\$1.49 million in additions which were mainly manufacturing equipment and offset by depreciation of S\$0.68 million.

Trade and other liabilities decreased to S\$1.88 million substantially due to payment of billings for cost of clinical trial undertaken during 4Q18.

Borrowings decreased to S\$3.93 million mainly due to repayment during the period.

### **Cash flow analysis**

During 3Q19, the Group recorded a net cash used in operating activities of S\$3.92 million as compared to S\$2.39 million in 3Q18, which was mainly due to the timing and progress of clinical trials.

During the quarter, the Group received S\$10.79 million cash as part of the proceeds from the disposal of CAPL. The balance payment of A\$0.82 million is receivable in the next quarter subject to conditions of the sale and purchase agreement. S\$0.43 million was used to repay certain loans of CAPL and debt servicing of other group borrowings.

During 9M19, the Group recorded a net cash used in operating activities of S\$11.99 million as compared to S\$8.03 million in 9M18, which was mainly due to the timing and progress of clinical trials and sales & marketing activities for launching of nutraceutical products.

In the nine-month period, the Group received S\$10.79 million cash as part of the proceeds from the disposal of CAPL and invested S\$1.49 million principally in new freeze-drying manufacturing equipment.

Net cash used in financing activities of S\$0.31 million in 9M19 was due to the repayment of borrowings and interest of S\$0.71 million offset by release of S\$0.4 million cash previously pledged with a bank.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

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

Following the positive outcome of the KET010 study of Wafermine, an End of Phase 2 (EOP2) meeting with the US FDA to determine the pathway for Phase 3 studies has been scheduled to take place in late 1Q20. In addition, the Group's strategy is to partner with a suitable pharmaceutical company via out-licensing to continue to develop the Wafermine programme. Out-licensing following a successful Phase 2 study is a typical approach for a specialty pharmaceutical company like ours. During the quarter, the Group appointed a strategic financial advisor to assist with the out-licensing of the Group's pharmaceutical assets.

Following the approval of both Wafesil and Silcap by the TGA for male erectile dysfunction in Australia, the Group is preparing for market launch via both wholesaler and pharmacy channels in 4Q19. Revenues are expected in the subsequent financial year. During the quarter the Group filed for marketing approval for Silcap with Singapore Health Sciences Authority (HSA). In the European market, we plan to file Wafesil for marketing approval in 4Q19.

The Group has identified Australia as the market territory to launch and establish the Entity brand. During the soft launch phase following the commencement of sale, the Group received enthusiastic feedback from healthcare professionals and consumers who recognise Entity's innovative approach to preventative healthcare. Entity has strategically and tactically selected pharmacies in major Australian cities of Melbourne, Sydney and Perth to carry its range of products. These

pharmacies include some of the larger premium pharmacy chains in Australia such as Priceline Pharmacy and TerryWhite Chemmart in high traffic, cosmopolitan locations. The Group will continue to optimise its production capabilities in preparation for the official launch of Entity, paving the way for a wider nationwide release to the Australian public in 1Q20. This development supports Entity's push to establish itself as a home-grown Australian brand and is important in raising its profile and credibility with consumers from other parts of the world who associate high quality health supplements with Australian brands.

Over the next 12 months, the Group plans to undertake sales and marketing initiatives in Australia to promote the Entity products and continue to grow the number of independent stockists. This will allow the brand to build a sales track record and to attract and garner greater interest among the larger banner groups operating nationally. In the next quarter, the Group will continue to target some of the larger independent pharmacy groups which typically have 30 to 90 stores each.

**11. If a decision regarding dividend has been made:**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended); and**

No dividend has been declared or recommended for the current reporting period.

**(b)(i) Amount per share (cents)**

Not applicable.

**(b)(ii) Previous corresponding period (cents)**

Not applicable.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) Books closure date**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for the current reporting period.

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

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

## 14. Use of Proceeds

### (a) Initial Public Offer

Pursuant to the IPO, the Company received total proceeds of S\$30.13 million (IPO Proceeds). As at 31 March 2019, the IPO Proceeds has been utilised as follows:

	Amount after re- allocation	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
To fund the clinical trials for the development of our products, and for preparing and submitting an Abbreviated New Drug Application or New Drug Application as the case may be, to the US Food and Drug Administration for marketing approval and commercialisation of our products in the United States, and where it is commercially viable to do so, in other parts of the world upon receipt of the relevant regulatory approvals	15,286	(15,286)	-
To fund the development, manufacturing and marketing activities required for our pharmaceutical and nutraceutical products in the pipeline, including Wafermine, Wafesil (formerly PheoniX), Silcap (formerly XCalibur) and the Entity line of nutraceutical products	9,414	(1,238)	8,176
General working capital purposes	2,913	(2,913)	-
Listing expenses	2,517	(2,517)	-
<b>Total</b>	<b>30,130</b>	<b>(21,954)</b>	<b>8,176</b>

Details of working capital used:	<b>S\$'000</b>
Professional fees	617
Payroll and directors' fees	1,596
Trademark and patents	67
Rental, office expenditure and other operating expenses	632
<b>Total</b>	<b>2,913</b>

The above utilisation of the Company's IPO Proceeds is in accordance with the intended use as stated in the Offer Document dated 10 July 2015 and as subsequently re-allocated by the Company in its announcement on 25 June 2018.

### (b) Private Placement

Pursuant to the private placement of 14,358,000 shares on 21 April 2016, the Company received net proceeds of S\$4.85 million (Placement Proceeds). As at 31 March 2019, the Placement Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
Registration of the Company's products with appropriate agencies for approval to sell the products, and for marketing of the Company's products	3,849	(3,849)	-
Acquisition of new product packaging equipment	1,000	(1,000)	-
<b>Total</b>	<b>4,849</b>	<b>(4,849)</b>	<b>-</b>

The above utilisation of the Company's Placement Proceeds is in accordance with the intended use as stated in the Company's announcement dated 14 April 2016.



**(c) Rights Issue**

Pursuant to the rights issue of 24,584,284 shares on 22 July 2016, the Company received net proceeds of S\$5.03 million (Rights Proceeds). As at 31 March 2019, the Rights Proceeds has been utilised as follows:

	<b>Amount allocated</b>	<b>Amount utilised</b>	<b>Balance</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Development of the Company's pipeline products (including undertaking clinical trials and registration of such products with appropriate agencies for marketing approval) and for marketing of the Company's products	4,028	(4,028)	-
Acquisition of new product packaging equipment	1,000	(1000)	-
<b>Total</b>	<b>5,028</b>	<b>(4,920)</b>	<b>-</b>

The above utilisation of the Company's Rights Proceeds is in accordance with the intended use as stated in the Company's Offer Information Statement dated 24 June 2016.

**15. Negative confirmation pursuant to Rule 705(5) of the listing manual.**

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the period ended 31 March 2019 to be false or misleading in any material aspect.

**16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the listing manual.**

The Company has procured undertakings from all its Directors and executive officers under Rule 720(1).

**On behalf of the Board of Directors**

Eddy Lee Yip Hang  
Chairman & CEO

Albert Ho Shing Tung  
Non-executive Director

9 May 2019

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.