

iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND FIRST HALF-YEAR ENDED 31 DECEMBER 2016

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 6 months ended		
	31.12.16 S\$'000	31.12.15 S\$'000 (Restated)	Incr/(Decr) %	31.12.16 S\$'000	31.12.15 S\$'000 (Restated)	Incr/(Decr) %
Revenue	1,636	1,541	6%	3,102	3,026	3%
Cost of sales	(1,078)	(972)	11%	(2,208)	(1,994)	11%
Gross profit	558	569	(2%)	894	1,032	(13%)
	34%	37%		29%	34%	
Other income	475	252	88%	977	410	138%
Expenses						
- Research and development	(837)	(1,864)	(55%)	(1,789)	(2,825)	(37%)
- Sales and marketing	(224)	(177)	27%	(442)	(313)	41%
- General and administrative	(1,865)	(1,478)	26%	(2,910)	(3,238)	(10%)
- Others	1,212	277	338%	1,862	90	n.m.
- Finance expense	(57)	(9)	533%	(118)	(18)	556%
Total expenses	(1,771)	(3,251)	(46%)	(3,397)	(6,304)	(46%)
Loss before income tax	(738)	(2,430)	70%	(1,526)	(4,862)	69%
Income tax credit	64	60	7%	76	71	7%
Loss for the financial period	(674)	(2,370)	72%	(1,450)	(4,791)	70%
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Loss - net of tax	(13)	(138)	(91%)	(140)	(71)	97%
Total comprehensive loss	(687)	(2,508)	73%	(1,590)	(4,862)	67%

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

Note: The presentation of analysis of expenses in the statement of comprehensive income have been changed to the classification based on function of expenses, which provides information that is more relevant and informative to users of the financial statements. Comparative figures in the statement of comprehensive income based on nature of expenses have been changed from the previous year to conform to current year's presentation.

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:

Loss before income tax of the Group is arrived at after charging/crediting the following:

	Note	Group			Group		
		3 months ended			6 months ended		
		31.12.16 S\$'000	31.12.15 S\$'000	Incr/ (Decr) %	31.12.16 S\$'000	31.12.15 S\$'000	Incr/ (Decr) %
After crediting:							
Research and development tax incentive	(i)	431	235	83%	895	375	139%
Interest income		33	7	371%	62	17	265%
Currency exchange gains - net		1,212	304	299%	1,862	271	587%
After charging:							
Share based payment expense	(ii)	306	120	155%	(30)	259	n.m.
Depreciation and amortisation expense		335	210	60%	620	442	40%
Interest expense		57	9	533%	118	18	556%
Initial public offering related expense	(iii)	-	-	-	-	180	n.m.

- (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 45% refundable tax offset for expenditure incurred for eligible R&D activities. The increase in R&D tax incentive in 2Q17 and 6M17 were due to additional R&D expenditure eligible for refundable tax offset.
- (ii) The share based payment expense was due to amortisation of the fair value of the share options granted to employees and consultants over the vesting period. In 1Q17, a reversal of the fair value of share options amounted to S\$0.44 million arose from forfeiture of certain share options due to resignation of an employee. This was partially offset by amortisation of new share awards granted on 30 September 2016 which amounted to S\$0.31 million and S\$0.41 million in 2Q17 and 6M17 respectively.
- (iii) The initial public offering related expense consisted of a one-off expense for activities related to the Company’s listing on the Catalist Board of the Singapore Exchange Securities Trading Limited.

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	
	31.12.16	30.06.16	31.12.16	30.06.16
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	34,451	31,327	33,714	30,735
Trade and other receivables	4,492	4,884	3,487	2,703
Other current assets	254	542	229	276
	<u>39,197</u>	<u>36,753</u>	<u>37,430</u>	<u>33,714</u>
Non-current assets				
Deposits – operating lease	74	23	74	23
Intangible assets	1,617	1,793	-	-
Property, plant and equipment	8,168	7,541	71	119
Investments in subsidiaries	-	-	5,404	5,404
	<u>9,859</u>	<u>9,357</u>	<u>5,549</u>	<u>5,546</u>
Total assets	<u>49,056</u>	<u>46,110</u>	<u>42,979</u>	<u>39,260</u>
LIABILITIES				
Current liabilities				
Trade and other payables	2,725	3,063	753	959
Borrowings	284	207	-	-
Provision	97	151	-	-
	<u>3,106</u>	<u>3,421</u>	<u>753</u>	<u>959</u>
Non-current liabilities				
Provision	49	30	-	-
Deferred government grant	52	67	-	-
Borrowings	4,420	4,045	-	-
Deferred income tax liabilities	295	356	-	-
	<u>4,816</u>	<u>4,498</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,922</u>	<u>7,919</u>	<u>753</u>	<u>959</u>
NET ASSETS	<u>41,134</u>	<u>38,191</u>	<u>42,226</u>	<u>38,301</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	70,131	64,998	70,131	64,998
Shares to be issued	-	465	-	465
Other reserves	215	490	309	444
Accumulated losses	(29,212)	(27,762)	(28,214)	(27,606)
Total equity	<u>41,134</u>	<u>38,191</u>	<u>42,226</u>	<u>38,301</u>

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.

	31.12.16 S\$'000	30.06.16 S\$'000
Amount repayable in one year or less, or on demand		
- Secured	284	207
Amount repayable after one year		
- Secured	4,420	4,045
Total borrowings	<u>4,704</u>	<u>4,252</u>

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		6 months ended	
	31.12.16	31.12.15	31.12.16	31.12.15
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Total loss after tax	(674)	(2,370)	(1,450)	(4,791)
Adjustments for:				
- Deferred government grant income	(8)	(9)	(17)	(17)
- Depreciation and amortisation expense	335	210	620	442
- Income tax credit	(64)	(60)	(76)	(71)
- Interest income	(33)	(7)	(62)	(17)
- Interest expense	57	9	118	18
- Provision	12	(19)	(42)	(6)
- Research and development tax incentive	(431)	(235)	(895)	(375)
- Share based payment expense	306	120	(30)	259
- Change in fair value of contingent consideration payable	-	27	-	1
- Unrealised currency exchange (gains)/losses – net	(1,117)	198	(1,811)	153
	<u>(1,617)</u>	<u>(2,136)</u>	<u>(3,645)</u>	<u>(4,404)</u>
Changes in working capital, net of effects from acquisition of subsidiaries:				
- Trade and other receivables	185	333	79	455
- Other current assets	(114)	440	247	105
- Trade and other payables	(17)	(191)	(422)	(315)
Cash used in operations	<u>(1,563)</u>	<u>(1,554)</u>	<u>(3,741)</u>	<u>(4,159)</u>
Interest received	17	7	41	17
Research and development tax incentive received	-	-	1,410	264
Net cash used in operating activities	<u>(1,546)</u>	<u>(1,547)</u>	<u>(2,290)</u>	<u>(3,878)</u>
Cash flows from investing activities				
Additions to property, plant and equipment	(188)	(803)	(670)	(871)
Additions to intangible assets	(13)	(16)	(17)	(16)
Net cash used in investing activities	<u>(201)</u>	<u>(819)</u>	<u>(687)</u>	<u>(887)</u>

	Group		Group	
	3 months ended		6 months ended	
	31.12.16	31.12.15	31.12.16	31.12.15
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Proceeds from issuance of ordinary shares and shares to be issued	-	-	4,698	30,130
Transaction costs paid pursuant to issuance of shares	-	-	(135)	(1,064)
Repayment of borrowings	(60)	(25)	(114)	(45)
Proceeds from borrowings	351	53	388	53
Interest paid	(57)	(3)	(118)	(7)
Increase in pledged fixed deposits	-	(400)	-	(400)
Net cash from/(used in) financing activities	234	(375)	4,719	28,667
Net (decrease)/increase in cash and cash equivalents	(1,513)	(2,741)	1,742	23,902
Cash and cash equivalents				
Beginning of financial period	34,496	35,739	30,927	8,891
Effects of currency translation on cash and cash equivalents	1,068	(436)	1,382	(231)
End of financial period	34,051	32,562	34,051	32,562

Cash and cash equivalents comprise the following:

	Group
	31.12.16
	S\$'000
Cash and cash equivalents in Balance Sheet	34,451
Less: Bank deposits pledged	(400)
Cash and cash equivalents per consolidated statement of cash flows	34,051

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

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	Shares to be issued	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2016	64,998	465	444	46	(27,762)	38,191
Loss for the period	-	-	-	-	(776)	(776)
Other comprehensive loss for the period	-	-	-	(127)	-	(127)
Total comprehensive loss for the period	-	-	-	(127)	(776)	(903)
Share based payment scheme						
- Value of employees' services	-	-	108	-	-	108
- Reversal of share based payment	-	-	(444)	-	-	(444)
Shares issued pursuant to the rights issue, net of transaction costs	5,028	(465)	-	-	-	4,563
Total transactions with owners, recognised directly in equity	5,028	(465)	(336)	-	-	4,227
At 30 September 2016	70,026	-	108	(81)	(28,538)	41,515

Attributable to equity holders of the Company

Group	Share capital	Shares to be issued	Share based payment reserve	Currency translation reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 30 September 2016	70,026	-	108	(81)	(28,538)	41,515
Loss for the period	-	-	-	-	(674)	(674)
Other comprehensive loss for the period	-	-	-	(13)	-	(13)
Total comprehensive loss for the period	-	-	-	(13)	(674)	(687)
Share based payment scheme						
- Value of employees' services	-	-	306	-	-	306
Shares issued pursuant to iX Performance Share Plan	105	-	(105)	-	-	-
Total transactions with owners, recognised directly in equity	105	-	201	-	-	306
At 31 December 2016	70,131	-	309	(94)	(29,212)	41,134
At 1 July 2015	29,019	-	1,299	(15)	(20,059)	10,244
Loss for the period	-	-	-	-	(2,421)	(2,421)
Other comprehensive profit for the period	-	-	-	67	-	67
Total comprehensive loss for the period	-	-	-	67	(2,421)	(2,354)
Share based payment scheme						
- Value of employees' services	-	-	139	-	-	139
Share options exercised	529	-	(529)	-	-	-
Shares issued pursuant to the initial public offering, net of transaction costs	29,066	-	-	-	-	29,066
Total transactions with owners, recognised directly in equity	29,595	-	(390)	-	-	29,205
At 30 September 2015	58,614	-	909	52	(22,480)	37,095
Loss for the period	-	-	-	-	(2,370)	(2,370)
Other comprehensive loss for the period	-	-	-	(138)	-	(138)
Total comprehensive loss for the period	-	-	-	(138)	(2,370)	(2,508)
Share based payment scheme						
- Value of employees' services	-	-	120	-	-	120
Share options exercised	480	-	(480)	-	-	-
Total transactions with owners, recognised directly in equity	480	-	(360)	-	-	120
At 31 December 2015	59,094	-	549	(86)	(24,850)	34,707

Attributable to equity holders of the Company

Company	Share capital	Shares to be issued	Share based payment reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2016	64,998	465	444	(27,606)	38,301
Loss for the period	-	-	-	(455)	(455)
Total comprehensive loss for the period	-	-	-	(455)	(455)
Share based payment scheme					
- Value of employees' services	-	-	108	-	108
- Reversal of share based payment	-	-	(444)	-	(444)
Shares issued pursuant to the rights issue, net of transaction costs	5,028	(465)	-	-	4,563
Total transactions with owners, recognised directly in equity	5,028	(465)	(336)	-	4,227
At 30 September 2016	70,026	-	108	(28,061)	42,073

Attributable to equity holders of the Company

Company	Share capital	Shares to be issued	Share based payment reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 30 September 2016	70,026	-	108	(28,061)	42,073
Loss for the period	-	-	-	(153)	(153)
Total comprehensive loss for the period	-	-	-	(153)	(153)
Share based payment scheme					
- Value of employees' services	-	-	306	-	306
Shares issued pursuant to iX Performance Share Plan	105	-	(105)	-	-
Total transactions with owners, recognised directly in equity	105	-	201	-	306
At 31 December 2016	70,131	-	309	(28,214)	42,226
At 1 July 2015	29,019	-	1,299	(19,362)	10,956
Loss for the period	-	-	-	(1,492)	(1,492)
Total comprehensive loss for the period	-	-	-	(1,492)	(1,492)
Share based payment scheme					
- Value of employees' services	-	-	139	-	139
Shares options exercised	529	-	(529)	-	-
Shares issued pursuant to the initial public offering, net of transaction costs	29,066	-	-	-	29,066
Total transactions with owners, recognised directly in equity	29,595	-	(390)	-	29,205
At 30 September 2015	58,614	-	909	(20,854)	38,669
Loss for the period	-	-	-	(2,275)	(2,275)
Total comprehensive loss for the period	-	-	-	(2,275)	(2,275)
Share based payment scheme					
- Value of employees' services	-	-	120	-	120
Shares options exercised	480	-	(480)	-	-
Total transactions with owners, recognised directly in equity	480	-	(360)	-	120
At 31 December 2015	59,094	-	549	(23,129)	36,514

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Company	No. of ordinary shares	Amount
		S\$'000
At 1 July 2016	614,607,107	64,998
Shares issued pursuant to the rights issue	24,584,284	5,163
Less: Transaction costs pursuant to the rights issue	-	(135)
At 30 September 2016	639,191,391	70,026
Shares issued pursuant to iX Performance Share Plan	333,333	105
At 31 December 2016	639,524,724	70,131

In July and December 2016, the Company completed a rights issue of 24,584,284 ordinary shares for a total consideration of S\$5,162,700 ("Rights Issue") and issued 333,333 ordinary shares pursuant to iX Performance Share Plan respectively.

Save for the foregoing, 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.

On 30 September 2016, the Company announced total awards of 3,504,333 shares to certain employees and executives under iX Performance Share Plan. Included in these awards, 2,239,000 shares granted to a controlling shareholder of the Company were approved by the shareholders at the annual general meeting on 25 October 2016. The Company has not granted any options under iX Employee Share Option Scheme.

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
As at 31 December 2016		
iX Performance Share Plan	3,171,000	3,171,000
Share options granted to various consultants and employees for services rendered	-	-
As at 31 December 2015		
iX Performance Share Plan	-	-
Share options granted to various consultants and employees for services rendered	7,100,000	7,100,000

There were no treasury shares as at 31 December 2016 and 31 December 2015.

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 December 2016, the number of issued shares excluding treasury shares was 639,524,724 (30 June 2016: 614,607,107).

1(d)(iv) A statement showing all sales, transfers, disposals, 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.

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 2016.

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

The Group has adopted all the applicable new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 July 2016. The adoption of these new and revised FRS and INT FRS 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.

The presentation of analysis of expenses in the statement of comprehensive income have been changed to the classification based on function of expenses, which provides information that is more relevant and informative to users of the financial statements. Comparative figures in the statement of comprehensive income based on nature of expenses have been changed from the previous year to conform to current year's presentation.

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		6 months ended	
	31.12.16	31.12.15	31.12.16	31.12.15
Net loss attributable to equity holders of the Company (S\$'000)	(674)	(2,370)	(1,450)	(4,791)
Weighted average number of shares outstanding ('000)	639,206	602,485 ⁽¹⁾	637,306	592,741 ⁽¹⁾
Basic loss per share (Cents per share)	(0.1)	(0.4)	(0.2)	(0.8)

Note:

(1) The weighted average number of shares have been restated to reflect the effect of bonus element pursuant to the Rights Issue.

The Company has 3,171,000 share awards under iX Performance Share Plan (31 December 2015: 7,100,000 shares options). As they were anti-dilutive and had the effect of decreasing the loss per share, they were not included in the calculation of diluted loss per share above. Accordingly, the basic loss per share and diluted loss per share were the same for the financial periods presented.

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	
	31.12.16	30.06.16	31.12.16	30.06.16
Net asset value per ordinary share (in cents)	6.4	6.2	6.6	6.2

The net asset value per ordinary share of the Group and the Company as at 31 December 2016 were calculated based on the total number of issued shares of 639,524,724 (30 June 2016: 614,607,107).

There were no treasury shares as at 31 December 2016 and 30 June 2016.

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.

In addition, the Group operates a Therapeutic Goods Administration of Australia (“TGA”) licensed chemical testing laboratory in Australia. The laboratory provides analytical services comprising chemical testing, complex problem solving and quality assurance services for the food, environmental, pharmaceutical and clinical sectors.

During the quarter, the Group had been active in developing its product pipeline and research and development (“R&D”) activities. The development status as at the end of 2Q17 is summarised below:

Products	Product Description	Development Status
Wafermine™	Sublingual ketamine for acute, severe and chronic pain	In preparation for Phase 2 Efficacy (Dose Selection) Study
PheoniX™	Sublingual sildenafil for the treatment of male erectile dysfunction	In preparation for drug registration with TGA
BnoX™	Sublingual buprenorphine for moderate to severe pain	In preparation to start Phase 1 pharmacokinetic (“PK”) study
WafeRest™	Sublingual melatonin for jetlag and improved sleep quality	In preparation for drug registration with TGA for export listing
Wafernyl™	Sublingual fentanyl for breakthrough, acute, post-operative and traumatic pain	Re-evaluating time-to-market given the current market trends

Additional information on each of the above are as follows:

Wafermine™

The Group continues its preparatory work for a Phase 2 efficacy (dose selection) study. Further, as part of additional FDA requirement, the Group will be conducting a PK study for Wafermine™ versus intravenous Ketalar (a reference drug imported from US) in the quarter ending 31 March 2017 (“3Q17”).

Although limited by production capacity, the Group is licensed to supply Wafermine™ to hospitals and registered pharmacies in Australia under the Special Access Scheme exemption set out in Schedule 5A of the Therapeutic Goods Regulation 1900 of Australia (“TGR”).

PheoniX™

The Group completed its pivotal study confirming bioequivalence and good oral tolerability of PheoniX™ when compared with reference drug and continues its preparatory work for the application for drug registration with TGA.

BnoX™

The Group is preparing to conduct a Phase 1 PK study in 3Q17. Upon completion of this study, we plan to supply BnoX™ to hospitals and registered pharmacies in Australia under the Special Access Scheme exemption set out in Schedule 5A of the TGR.

WafeRest™

The Group is preparing the registration of WafeRest™ with TGA for export listing. Further, we will also be making submissions with the relevant regulatory authorities in several Asian countries for marketing approval. In the meantime, we have geared up engagement efforts with the medical community to build awareness of our WaferiX™ sublingual technology and its potential application with melatonin.

Wafernyl™

The Group completed its Phase 1 study and is re-evaluating the time-to-market of Wafernyl™ given the current market trends.

Review of performance for quarter (“2Q17”) and six months (“6M17”) ended 31 December 2016

Revenue & Gross Profit

	2Q17	2Q16	Incr/ (Decr)	6M17	6M16	Incr/ (Decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Specialty Pharmaceutical	15	78	(81%)	27	86	(69%)
Chemical Analysis	1,621	1,463	11%	3,075	2,940	5%
Total revenue	1,636	1,541	6%	3,102	3,026	3%

The Group's revenue for 2Q17 was S\$1.64 million as compared to S\$1.54 million for the same quarter last year (“2Q16”). Revenue for 6M17 was S\$3.10 million as compared to S\$3.03 million for the corresponding period last year (“6M16”). Revenue was derived from two business segments.

- (1) The chemical analysis business, which provides laboratory testing services, accounted for S\$1.62 million or 99% of total revenue in 2Q17, and S\$3.08 million or 99% of total revenue in 6M17.

The segment achieved revenue growth in Australian dollar (“A\$”) of 7% with revenue of A\$1.54 million in 2Q17 as compared to A\$1.44 million in 2Q16. For 6M17, revenue in Australian dollar was slightly higher at A\$2.95 million as compared to A\$2.91 million in 6M16.

- (2) The specialty pharmaceutical business accounted for S\$0.01 million or 1% of total revenue in 2Q17 and 6M17 as our production capacity is limited to R&D activities.

In 2Q17, cost of sales, comprising mainly of personnel and consumable expenses relating to provision of chemical analysis services, was S\$1.08 million. The increase of 11% as compared to S\$0.97 million in 2Q16 was mainly due to higher consumable expenses consistent with the increase in chemical analysis business activities. In 6M17, cost of sales was S\$2.21 million, increased by 11% as compared to S\$1.99 million in 6M16 mainly due to higher consumables and a one-off cost of S\$0.1 million for re-alignment of operating units to improve cost efficiency.

As a result of the above, the Group recorded a gross profit of S\$0.56 million or 34% of revenue in 2Q17 and S\$0.89 million or 29% of revenue in 6M17. Comparatively, the Group recorded a gross profit of S\$0.57 million or 37% of revenue in 2Q16 and S\$1.03 million or 34% of revenue in 6M16.

Other income - Research and Development (“R&D”) Incentive

The Group conducts its R&D activities through its subsidiaries in Australia and have been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia. This incentive provides a 45% refundable tax offset for expenditure incurred in Australia by the subsidiaries. In June 2016, Innovation Australia approved the Group's application to include additional expenditure incurred as eligible R&D expenditure for the purpose of this R&D tax incentive. Consequently, the Group recognised a higher R&D incentive of S\$0.43 million in 2Q17 and S\$0.90 million in 6M17.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

The Group undertook R&D activities in drug development, including formulation and manufacturing for clinical trials.

R&D expense was S\$0.84 million in 2Q17 as compared to S\$1.86 million in 2Q16. For the six-month period, R&D expense was S\$1.79 million in 6M17 as compared to S\$2.83 million in 6M16. These were principally due to:

- the timing and progress of clinical trials;

partially offset by:

- higher employee compensation and consumables incurred in product development and for various clinical trials.

Sales and marketing

Sales and marketing expense was S\$0.44 million in 6M17 as compared to S\$0.31 million in 6M16, as the Group began preparing for commercialisation of its product. The increase in sales and marketing expense was mainly due to increase in headcount.

General and administrative

In 2Q17, general and administrative expense increased by S\$0.39 million or 26% mainly due to:

- increase in share based payment expense by S\$0.19 million for amortisation of the fair value of share awards granted to employees over their vesting periods; and
- additional staff cost incurred for the implementation of CA's laboratory information management system

In 6M17, general and administrative expense decreased by S\$0.33 million or 10% mainly due to:

- net decrease in share based payment of S\$0.29 million due to forfeiture of share options and amortisation of fair value of new share awards; and
- the absence of one-off payroll-related cost of S\$0.20 million in 1Q16 incurred pursuant to the IPO.

Others

Others consist principally of currency exchange gain/loss and a one-off IPO related expense.

Currency exchange gain was S\$1.21 million in 2Q17 as compared to S\$0.30 million in 2Q16. The gain in 2Q17 arose mainly from the strengthening of the US dollar against the Singapore dollar for the Group's US dollar denominated cash deposits.

For 6M17, currency exchange gain was S\$1.86 million as compared to S\$0.27 million in 6M16. The currency exchange gains arose from the strengthening of the US and Australian dollars against the Singapore dollar for the Group's foreign currency denominated cash deposits and receivables from subsidiaries.

Review of financial position

As at 31 December 2016, the Group's cash and cash equivalents was S\$34.45 million. The increase of S\$3.12 million or 10% from 30 June 2016 ("FY2016") was mainly due to net proceeds from the Rights Issue of S\$5.03 million, partially offset by cash outflows in operating activities of S\$2.08 million.

Trade and other receivables and other current assets decreased by S\$0.68 million from FY2016 mainly due to an R&D tax incentive receipt of S\$1.41 million, decrease in deposits which were capitalised due to additions in plant and equipment, and partially offset by additional accrued R&D incentive receivable of S\$0.90 million.

Property, plant and equipment and intangible assets were S\$9.79 million, a net increase of S\$0.46 million from S\$9.33 million in FY2016. The increase was mainly attributed to additions of fixed assets amounted to S\$0.67 million.

Trade and other payables was S\$2.73 million, a decrease of S\$0.33 million from S\$3.06 million in FY2016, which was in line with lower activities in clinical trials.

Current and non-current borrowings were S\$4.70 million, an increase of S\$0.45 million from S\$4.25 million in FY2016, mainly due to increase of S\$0.39 million in bank borrowings by a subsidiary to refinance its plant and equipment.

Cash flow analysis

During 2Q17, cash outflow in operating activities was S\$1.62 million, partially offset by a net increase in working capital of S\$0.05 million. As a result, the Group recorded a net cash used in operating activities of S\$1.55 million.

In the same quarter, the Group invested S\$0.20 million in new plant and equipment.

The Group refinanced S\$0.35 million of its plant and equipment purchased previously via hire-purchase and partially repaid its existing hire-purchase loans via instalments.

During 6M17, cash outflow in operating activities was S\$3.65 million, partially offset by R&D tax incentive received of S\$1.41 million. As a result, the Group recorded a net cash used in operating activities of S\$2.29 million.

In this six-month period, the Group invested S\$0.69 million to acquire new plant and equipment.

The Group raised S\$4.56 million and S\$0.39 million through issue of new shares and loans respectively. Through the Rights Issue, the Group raised a net proceed of S\$5.03 million, of which S\$0.47 million has been received in the fourth quarter ended 30 June 2016 from a shareholder pursuant to its undertaking in relation to the Rights Issue.

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.

Our clinical studies and major operations are conducted mostly in the United States and Australia, hence fluctuations in USD and AUD currencies will have a financial impact on the Group. The Group will continue to monitor closely the global currency trends and the impact of the foreign exchange fluctuations on its financial position and take risk management measures where appropriate.

Timing and progress of our clinical studies may impact our research and development expenses over the next 12 months. In 3Q17, the Group has plans to conduct clinical trials for a Phase 1, PK study for BnoX™ and an additional PK study for Wafermine™ as required by US FDA. Subsequently, the Group plans to conduct clinical trials for Phase 2 efficacy (dose selection) study for Wafermine™.

To increase product awareness of Wafermine™ and BnoX™ in Australia, the Group will actively participate in trade exhibitions and conferences. In addition, the Group is preparing for the commercialisation of PheoniX™ and WafeRest™.

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 December 2016, the IPO Proceeds has been utilised as follows:

	Amount allocated	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	26,200	(5,649)	20,551
General working capital purposes	1,413	(1,413)	-
Listing expenses	2,517	(2,517)	-
Total	30,130	(9,579)	20,551

Details of working capital used:

	S\$'000
Professional fees	326
Payroll and directors' fees	755
Trademark and patents	67
Rental, office expenditure and other operating expenses	265
Total	1,413

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.

(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 December 2016, 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	(152)	3,697
Acquisition of new product packaging equipment	1,000	(76)	924
Total	4,849	(228)	4,621

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 December 2016, the Rights Proceeds has been utilised as follows:

	Amount allocated	Amount utilised	Balance
	S\$'000	S\$'000	S\$'000
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	(257)	3,771
Acquisition of new product packaging equipment	1,000	-	1,000
Total	5,028	(257)	4,771

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 December 2016 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

8 February 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement, including the correctness of any the figures used, statements or opinions made.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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. Tony Toh, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, telephone: (65) 6337-5115.