



SCIGEN LTD AND ITS SUBSIDIARIES
(Registration No. 199805796R)

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2017

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

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SCIGEN LTD AND ITS SUBSIDIARIES

MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Shareholders,

2017 was an exciting year for the Group as we continue to ride on the momentum of business development activities to achieve a significant revenue milestone for the Group at US\$40.4 million. On the forefront of business development were the collaborations initiated in 2016 for the distribution rights to a Gonadotropin releasing hormone agonist for treatment of central precocious puberty, electrotherapy device for relief of migraine pain and oral treatment of Parkinson's disease. The commitment of the teams in Korea and Australia in navigating through the challenging market environment was evident as sales of these products constituted one-fifth of Group revenue.

During the year, new partnerships were drawn for the distribution of products in the paediatrics and oncology-care areas and we anticipate performance of these products to be encouraging in the coming year. Another break through of 2017 was the sale of insulin bulk active ingredients to Bangladesh, of which the volume to be supplied in subsequent years is forecast to rise in tandem with market demand.

Even as we explore business partnerships for quality, complementary products for our paediatrics, neurology and oncology-care range, we remain steadfast to our core endocrinology therapeutic area. Reflecting our commitment to endocrinology area, we have engaged additional resources within the Company and its holding company, Bioton S.A., to define business strategies and fine-tune operating models as fundamentals for strengthening our global presence. In the midst of developing our business, we recognised the importance of integrity and accountability and have enhanced our code of conduct.

TRADING PERFORMANCE

Pressure on prices and regulatory restrictions remain the norm in most territories where we are present. In spite of the challenges, we posted 39% growth in revenue to close at US\$40.4 million for the year. Major drivers of growth were oral treatment of Parkinson's disease (neurology) which accounted for 42% of revenue growth with its first full-year impact, followed by Heri Injection® bundle (thymosin alpha 1 under oncology-care) and insulin bulk active ingredient which accounted for 32% and 10% of growth respectively. In contrast to a sales decline in preceding year, insulin (vials and cartridges) revenue improved by 4% year-on-year, fuelled by demand from our Thai distributor.

From a geographical perspective, Korea accounted for 41% of revenue growth, bolstered by demand for oncology-care products and paediatric supplements. We foresee that this growth in Korea will not be replicated in coming year following exposure to new generic competition. Likewise, expansion of revenue in Australia which accounted for 39% of growth in 2017, is unprecedented due to the first full-year impact of oral treatment of Parkinson's disease.

Gross margin derived from the new neurology product and insulin bulk active ingredient were low, resulting in 6% drop of gross margin percentage to 47%. With lower margins and investments in recruitment of medical representatives in Korea and Philippines, improvement in net profit before interest and income tax was relatively low at 4%. Profit after interest expense and income tax declined by 14% to US\$1.8 million on the back of higher finance expense as interest rates rose by average 0.4% year-on-year.

Our net cash balance was positioned stronger at US\$6.5 million compared to US\$4.6 million in the preceding year as we upheld fiscal discipline and working capital management.

SCIGEN LTD AND ITS SUBSIDIARIES

MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

MOVING FORWARD

Over the next two years, we will embark on restructuring of our business to better manage and align the variety of products in our portfolio. We believe that the streamlining of the Group by business units provides greater agility in terms of implementation of sales and marketing initiatives and reassessment of operating models, hence, a new impetus for expansion of the Group.

We remain focused on augmenting our portfolio through collaborations that have considerable financial returns, established supply chain and reputable product quality. On the other hand, we are cognisant of regulatory hurdles which may significantly delay our business development efforts.

Our business environment is anticipated to remain challenging against a backdrop of pricing pressure in most territories, entrance of additional Korean competitors in oncology-care area and increasing operating costs. Leveraging on our regional presence and imminent business restructuring, we are confident that the Group is well positioned to seize opportunities in the coming year.

IN APPRECIATION

I take this opportunity to extend my sincere appreciation to all our shareholders, customers and business partners for your unwavering support that has enabled us to deliver our commitments. My gratitude also goes to my colleagues on the Board and to our employees for their dedication and tenacity.

Marek Dziki

Chairman and Chief Executive Officer

SCIGEN LTD AND ITS SUBSIDIARIES

BUSINESS OPERATIONS

SciGen Ltd ("SciGen") is a biopharmaceutical company involved in sales and marketing of genetically engineered biopharmaceutical products for human healthcare. SciGen focuses in the areas of endocrinology, paediatrics, neurology and oncology care.

Its core product portfolio consists of biosimilar products, notably, recombinant human insulin and recombinant human growth hormone which have undergone substantial clinical development. SciGen has since built a diversified portfolio in recent years, comprising neurology, oncology care products, paediatric supplements, orthopaedic injection therapy, anti-hypertensives and a range of medical devices.

SciGen has acquired the rights to distribute and market biopharmaceutical and proprietary products under both exclusive and semi-exclusive licensing arrangements. Its strategy is to focus on biosimilar products which have undergone much of the clinical development and trials required to bring new drugs to market. This minimises the risks associated with early stage product development.

SciGen's current focus is in the Asia Pacific region which provides growth opportunities for its range of products. Following a licensing agreement signed in early 2012, SciGen now has marketing rights for recombinant human insulin in the Middle East and Africa. SciGen's contract manufacturer for recombinant human insulin is its ultimate holding company in Poland, Bioton S.A.

SciGen currently maintains internal sales and marketing teams at its subsidiary offices, whilst venturing into distribution partnerships in other markets. Through joint collaboration with its partners, SciGen uses its extensive expertise in regulatory and clinical environments, to cater to a broader spectrum of market.

SciGen was established in 1988, as a Singapore biopharmaceutical company. SciGen is listed on the Australian Stock Exchange (ASX code SIE). Its corporate headquarters is located in Singapore, with subsidiary offices in Australia, South Korea, China and a sales office in Philippines. Strategic distribution channels are present in Thailand, Hong Kong, Pakistan, Bangladesh, Indonesia, Singapore, Myanmar and Vietnam.

SCIGEN LTD AND ITS SUBSIDIARIES

PRODUCTS

SciLin®

SciLin® is a second generation recombinant human insulin expressed in E. Coli.

SciLin® is used in treating diabetes patients and is available in different preparations.



SciTropin A®

SciTropin A®, synthesized in E. Coli cells, is identical to naturally occurring Human Growth Hormone.

SciTropin A® is indicated for the treatment of:

- Short stature due to growth hormone deficiency
- Growth disturbance due to Turner syndrome
- Chronic renal insufficiency
- Growth disturbance in short children born small for gestational age
- Prader-Willi Syndrome
- Growth hormone deficiency in adults



SciLocyte®

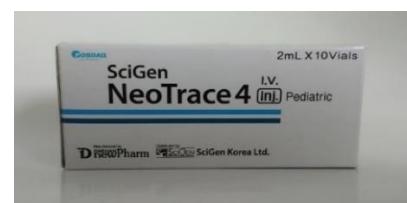
SciLocyte® is a recombinant Granulocyte Colony Stimulating Factor (GCSF) that is E. Coli derived and manufactured by recombinant DNA technology, which is almost identical to natural human GCSF.

SciLocyte® is used to prevent and treat the decrease of white blood cells resulting from chemotherapy.



NeoTrace 4® Injection

NeoTrace 4® Injection is a solution containing four trace elements for use as an additive for Total Parenteral Nutrition (TPN) for neonatal to maintain plasma levels of zinc, copper, manganese, and chromium, and to prevent depletion of endogenous stores of these trace elements and subsequent deficiency symptoms.



SCIGEN LTD AND ITS SUBSIDIARIES

PRODUCTS

SciTrace 5® Injection

SciTrace 5® Injection is a solution containing five trace elements for use as an additive for Total Parenteral Nutrition (TPN) to maintain plasma levels of zinc, copper, manganese, selenium and chromium, and to prevent depletion of endogenous stores of these trace elements and subsequent deficiency symptoms.



Heri Injection™

Heri Injection™ contains thymosin alpha 1 and acts as immune regulator in the treatment of malignant tumour, hepatitis and other immunodeficiency diseases.

Important features of Heri Injection™:

- 28-amino acids, with structure homologous to the endogenous thymosin. First choice for immunotherapy of tumour and hepatitis.
- Enhancement of immune function and reduction of inflammation following major operations and severe infections.
- Enhanced effect in combination with Interferon and Lamivudine.
- Effective and safe.



Durolane®

Durolane® is the original single hyaluronic acid stabilised injection for Osteoarthritis pain relief.

Important features of Durolane®:

- Advanced and unique Non Animal Stabilised Hyaluronic Acid.
- History of safe use as does not generate product specific antibodies.
- Effectiveness in comparison to corticoid.
- Longer lasting in the joint by design.
- Significant and sustained benefits for Osteoarthritis.



SCIGEN LTD AND ITS SUBSIDIARIES

PRODUCTS

Zinc-S®

Zinc-S® contains zinc sulfate hydrate and comes as an injectable solution.

Zinc-S® can be used for treatments as follows:

- Prevention of low levels of zinc.
- Prevention of childhood diarrhoea and respiratory illnesses.
- Adjunct treatment in infants aged between 7 and 120 days with probable serious bacterial infection.
- TPN (Total Parenteral Nutrition) therapy for cancer patients and wound healing for patients before and after surgery.



Zinc-I® Syrup

Zinc-I® contains zinc sulfate monohydrate and comes as an oral solution.

Zinc-I® can be used for treatments as follows:

- Prevention of zinc deficiency and psoriasis.
- Prevention of childhood diarrhoea and respiratory illnesses.
- Adjunct treatment in infants aged between 7 and 120 days with probable serious bacterial infection.
- Supplemental mineral for the growth and development of children and adolescents.



Diphereline®

Diphereline® is a prolonged release injection containing triptorelin for treatment of central precocious puberty (CPP), prostate cancer and endometriosis.

Important features of Diphereline®:

- Synthetic gonadotropin releasing hormone agonist (GnRHa) closest to the natural GnRH.
- Long-term accumulated efficacy & safety data since 1986.
- Both 1-month treatment (3.75mg) and 3-month treatment (11.25mg) are available.
- Improves patient compliance and quality of life with unique technology.
- Convenient reconstitution method and simple dose regimen.



SCIGEN LTD AND ITS SUBSIDIARIES

PRODUCTS

Al-Sense™

Al-Sense™ is the only reliable, cost effective easy to use amniotic fluid leak detection test during the last trimester of pregnancy that offers rapid and continual reassurance.

Important features of Al-Sense™:

- Non-invasive.
- High sensitivity and specificity.
- 12-hour monitoring capability, can be used at home with no laboratory resource requirement.
- Rapid, easy to read result and safe.



GensuPen®

GensuPen® is the latest innovative automatic delivery system for insulin with the following features:

- Easy and comfortable to use.
- Easy-to-read dosage indicator.
- Dose adjustment function.
- Light weight and durable design.



Insupen needles

Insupen needles are used together with injection pens to deliver injectable medicines like insulin:

- Manufactured by Artsana in Italy with more than 50 years of experience in cannula production.
- 100% compatible with all pen devices.
- Insupen needles meet all the relevant international standards of compliance and have been subjected to many rigorous additional quality tests to ensure that they consistently exceed all the required standards.



SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE DIRECTORY

Directors

Chairman and Chief Executive Officer

Marek Dziki
Executive Director
Chairman and Chief Executive Officer
Member, Audit Committee

Chief Financial Officer

Adam Tomasz Polonek
Executive Director
Chief Financial Officer
Member, Audit Committee

Executive Director

Lim Lean Guat
Executive Director
Group Financial Controller

Non-Executive Directors

Ju Bo Liu
Non-Executive Director

Kenneth Gross
Non-Executive Director
Chairman, Audit Committee

Vaidyanathan Viswanath
Non-Executive Director

Marcin Dukaczewski
Non-Executive Director

Mateusz Patryk Kosecki
Non-Executive Director

Secretaries

Seet Beng Choo Jeanne

Adam Tomasz Polonek
Chief Financial Officer

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE DIRECTORY

Principal registered office in Singapore	152 Beach Road, #26-07/08 Gateway East, Singapore 189721
Principal registered office in Australia	Suite 1, 13B Narabang Way, Belrose, NSW 2085, Australia
Share and debenture registers	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street, Adelaide, South Australia, 5000 Australia Ph: 1300 556 161 (within Australia) Ph: (61) 8 8236 2300 (outside Australia) Fax: (61) 8 8236 2305 Website: www.computershare.com
Auditors	Deloitte & Touche LLP 6 Shenton Way, OUE Downtown 2 #33-00 Singapore 068809 Partner-in-charge: Panjabi Sanjay Gordhan
Solicitors	Allen & Gledhill Thomson Geer
Bankers	DBS Bank Ltd Kookmin Bank Ltd ANZ Bank Ltd Westpac Banking Corporation Agricultural Bank of China
Stock exchange listings	SciGen Ltd (the "Company" or "SciGen") is a public company incorporated in Singapore. Shares are held by CHESSE Depository Nominees Pty Ltd in Australia and are publicly traded on the Australian Stock Exchange in the form of CHESSE Units of Foreign Securities (CUFS) on a 1 CUFS for 1 fully paid ordinary share basis.
Website address	www.scigenltd.com
Currency	The annual report is prepared in United States dollars.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of SciGen Ltd (the "Company") and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 43 to 95 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, with the continued financial support from its ultimate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors in office at the date of this statement are as follows:

Dr. Marek Dziki	
Mr. Adam Tomasz Polonek	
Dr. Ju Bo Liu	(Appointed on February 9, 2017)
Mr. Kenneth Gross	
Mr. Vaidyanathan Viswanath	(Appointed on February 9, 2017)
Mr. Marcin Dukaczewski	
Mr. Mateusz Patryk Kosecki	
Ms. Lim Lean Guat	(Appointed on September 8, 2017)

Principal activities

During the year, the principal activities of the Group and the Company consisted of sales, marketing and business development of pharmaceutical and recombinant technology derived products.

Dividends

Due to the working capital requirements of the Company, the directors have not declared a dividend for the financial year ended December 31, 2017. No dividends have been paid, declared or proposed since the end of the Company's preceding financial year.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Results and review of operations and activities

A summary of consolidated revenue and results by significant reportable segments is set out below:

	Segment revenue		Segment results	
	Year ended 31/12/2017 US\$'000	Year ended 31/12/2016 US\$'000	Year ended 31/12/2017 US\$'000	Year ended 31/12/2016 US\$'000
Singapore	88	141	16	3
Australia	11,660	7,250	(70)	340
Korea	19,177	14,514	4,880	4,252
Thailand	4,476	4,028	233	248
Bangladesh	1,101	-	99	-
Philippines	1,413	1,042	(172)	(143)
China	-	-	(143)	(144)
Others	2,480	2,163	1,427	1,222
	<u>40,395</u>	<u>29,138</u>	<u>6,270</u>	<u>5,778</u>
Unallocated expenses			(2,042)	(1,713)
Profit before finance expense and income tax			4,228	4,065
Finance income			31	9
Finance expense			(1,406)	(914)
Profit before income tax			2,853	3,160
Income tax expense			(1,090)	(1,104)
Net profit for the year			<u>1,763</u>	<u>2,056</u>

Comments on the operations and the results of those operations are set out below:

The Group achieved a new milestone as revenue surpassed US\$40 million for the year ended 31 December 2017, to close at US\$40,395,000. Main drivers of revenue growth were our subsidiaries in Australia and Korea which accounted for 80% of the revenue growth. Our Australian subsidiary posted a significant growth of 61% year-on-year with first full-year sales impact of a neurology drug whilst our Korean subsidiary registered expansion of 32% year-on-year from sales of Heri Injection® bundle (thymosin alpha 1 under oncology-care) and paediatric supplements. A new territory entered into during the year was Bangladesh, for the sales of insulin bulk active ingredients.

Additional products were added into our oncology-care range sold in Korea where revenue grew by 38% to close at US\$13,123,000 for the year. The oncology-care products sold in Korea and Philippines accounted for 33% of total revenue of the Group. As mentioned above, the full-year sales impact of the neurology drug was significant and accounted for 16% of total revenue as compared to 6% in the preceding year. Existing products which recorded significant improvement in sales were paediatric supplements, hyaluronic acid for Osteoarthritis pain relief and insulin (combination of bulk active ingredients, vials and cartridges) with year-on-year growth of 139%, 60% and 34% respectively.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Following the robust improvement in revenue, gross profit rose by 22% year-on-year. Gross margin percentage, however, posted a decline from 53% in the preceding year to 47% as margin from neurology product and insulin bulk active ingredients were relatively low compared to the existing products. Profit before interest and tax grew by 4% to US\$4,228,000 compared to preceding year of US\$4,065,000.

Net finance expense rose to US\$1,375,000 from US\$905,000, on the back of higher effective interest rate of 0.41%. After net finance expense and income tax expense of US\$1,090,000 (2016 : US\$1,104,000), the Group posted profit for the year amounting to US\$1,763,000 (2016 : US\$2,056,000). Income tax expense for the year included deferred tax expense of US\$136,000 (2016 : US\$208,000).

Focus for the coming year is on business development to boost our existing therapeutic range and expand our distribution network. We anticipate challenges with entrance of additional players in oncology-care area in Korea and price competition for insulin in most territories.

Earnings per share

	Group	
	Year ended 31/12/2017 US cents	Year ended 31/12/2016 US cents
Basic and diluted earnings per share	0.319	0.372

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debenture of the Company and related corporations as recorded in the register of directors' shareholding kept by the Company under Section 164 of the Singapore Companies Act.

Share options

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Matters subsequent to the end of the financial year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this statement which would substantially affect the results of the Group and of the Company for the financial year in which this statement is made.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the Company at the date of this statement include:

- (a) The Group remains committed in expanding its product portfolio through in-licensing and partnerships with reputable pharmaceutical companies.
- (b) The Group will actively mobilise its resources to drive for accelerated growth of endocrinology products within its existing territories.

Further information on likely developments in the operations of the Group and the Company and the expected results of operations have not been included in this statement, because the directors are of the opinion that such information is commercially sensitive.

Going concern

The management is responsible for preparation of financial statements that give a true and fair view in accordance with provisions of the Singapore Companies Act and Singapore Financial Reporting Standards. The directors of the Company consider that the going concern assumption in the preparation of the financial statements is appropriate as the Group and the Company will have sufficient funding to carry out its operating and investment activities based on the financial support given by the ultimate holding company.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Information on directors

<i>Director</i>	<i>Experience</i>
Dr. Marek Dziki (Age 55)	<p>Dr. Marek Dziki is a medical doctor with a PhD from the University in Lublin, Poland. In 1998, he completed his MBA at the International Business School in Warsaw and in 2005 completed another MBA from Merck University (Kellogg Business School, Chicago, Hong Kong University of Science and Technology and Business School in Fountainebleau).</p> <p>Dr. Dziki has extensive experience in Pharmaceuticals, Chemicals, Life Science, Bioscience, Research & Development and Clinical Research Development. He started his career in with Merck in 1992. Between 1992 and 2000, he worked with Merck Poland, between 2001 and 2005 with Merck Austria, between 2005 and 2006 with Merck Darmstadt and from 2006 to 2012 was the Managing Director of Merck India. After leaving Merck, Dr. Dziki was appointed as an executive director in Skolkovo Innovation Centre in Moscow working in close collaboration with the governmental institutions for the transfer of technology to Russia and for the development of strategy for the Russian biopharma development. Dr. Dziki joined Lumedan (Zurich, Odessa and Moscow) as the CEO in 2013 and by 2015 became a consultant thereto. From March 2014, Dr. Dziki is the President and Founder of M&M Pharma, Warsaw, a company dealing with disruptive innovation in new technology, emerging markets and financing.</p> <p>Dr. Dziki is a Member of the Management Board of Bioton S.A., and holds directorship positions in other enterprises in Italy.</p>
Mr. Adam Tomasz Polonek (Age 41)	<p>Mr. Adam Polonek is a graduate of the Economic Faculty at Academy of Economics in Poland. Mr. Polonek joined Bioton S.A. in 2006 as Deputy Finance Director and since April 2009 as the Finance Director. Mr. Polonek was appointed to the position of Chief Financial Officer of SciGen Ltd in January 2013 and holds finance-related positions in other subsidiaries of SciGen and the Bioton Group.</p> <p>Since December 21, 2011, he has been holding the position of the Chief Financial Officer and Member of the Management Board of Bioton S.A.</p> <p>Mr. Polonek's professional experience includes successful career in one of the leading investment bank in CEE Europe, CAIB Financial Advisers, which is part of the leading banking Group Unicredit in Europe. During Mr. Polonek's career, he was involved in several Corporate Finance transactions and he has vast experience in stock exchange markets.</p>

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Information on directors

Director

Experience

Dr. Ju Bo Liu (Age 45)

Dr. Ju Bo Liu is the Chairman of the Supervisory Board of Bioton S.A. Dr. Liu is the founder and has served as the CEO of Cogenes Biotechnology Incorporation (focused on in-vitro diagnosis R&D, manufacturing and marketing) since August 2011 and is the founder and CEO of NovoTek Pharmaceuticals Limited (Hong Kong) and Beijing NovoTek Medicinal Technology Development Co. Ltd. (Beijing) (international platform to globalise healthcare products both from within and outside of China) since August 2009.

From April 2008 to July 2009, he was the China Chief Representative of Immtech Pharmaceuticals Inc. (US New York) (establishing Chinese activity infrastructure and investment plans). From November 2007 to April 2008, Dr. Liu acted as a Clinical Trial Liaison with US-based Pharmaceuticals Inc. (US New York) carrying out global clinical trial operations in China. From October 2006 to November 2007, he was a scientist at Boston Vertex Pharmaceuticals Inc. (formulation and drug delivery). From July of 2005 to January of 2007, he was as a co-founder and served as the Director of Business Development of JCS Biopolytech Incorporation (modified biopolymer R&D and marketing used for drug delivery and nanotechnology). From August 1997 to February 2001, Dr. Liu served as the Director of Marketing and Regulatory Affairs for Huayuanlong Medicinal Technology Development Co. Ltd. of Beijing, China.

Dr. Liu obtained his Bachelor's Degree in Pharmacy from the Department of Pharmacy at the Pharmaceutical University of Shenyang and a Ph.D. from the Department of Pharmaceutical Sciences at the University of Toronto. Furthermore, Dr. Liu is an author and co-author of several publications regarding medical and biological issues.

Mr. Kenneth Gross (Age 88)

Mr. Kenneth Gross co-founded Goldmark Plastic Compounds in 1957. The company has since become a major distributor of plastic raw materials within the United States. In addition, Mr. Gross holds a number of directorship positions in various companies involved in chemical, metals, engineering resins and lubricating oils.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Information on directors

Director

Experience

**Mr. Vaidyanathan
Viswanath**
(Age 56)

Mr. Vaidyanathan Viswanath is a post-graduate in Pharmacology with over 30 years' experience in sales, marketing, business development and strategic planning in the pharmaceutical industry across Asia. His previous experience includes Serum Institute - India and Astra - India both in sales and marketing, 8 years with Pharmacia - India and China. Upon completion of the global acquisition of Pharmacia by Pfizer in April 2003, he assumed the position of Director - Business Development & Strategic Planning for Capsugel (a division of Pfizer) based in Bangkok until 2011.

Currently living in Beijing, Mr. Viswanath is an independent consultant for a number of pharmaceutical companies and in this role offers his expertise in the area of Strategic Marketing, Business Development, Marketing and Sales Effectiveness, Alliance Management, KOL & Advocacy development. With his deep understanding of the trends in the industry backed up by his strong networking capabilities, Mr. Viswanath envisions to act as a bridge for these companies to reach out to companies overseas and vice versa.

Mr Viswanath serves on Novotek's Advisory Board since 2012. Since May 2016, he is a member of the Supervisory Board of Bioton.

Mr. Marcin Dukaczewski
(Age 39)

Mr. Marcin Dukaczewski was trained in International Political and Economical Relations at the Warsaw University. Mr. Dukaczewski holds the position of Vice President of the Management Board of Prokom Investments, a Polish private-equity fund.

Mr. Dukaczewski also serves as the Chairman of the Supervisory Board of Petrolinvest SA (oil & gas exploration) and holds directorship positions in other enterprises in Poland.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Information on directors

Director

Experience

Mr. Mateusz Patryk Kosecki
(Age 43)

Mr. Mateusz Kosecki is a graduate of the Executive MBA Program of European University, Montreux, Switzerland. Mr. Kosecki is the Foreign Markets Director of Bioton S.A. and is responsible for the operations of the company on overseas market. Mr. Kosecki is also the President of Biolek Sp z.o.o., a member of Bioton Group. Biolek develops innovative and specialized feed additives for animals and innovative food supplements for human use. Mr. Kosecki possesses extensive experience in international business.

From 1995 to 1996 he worked as the Marketing Manager in Lenex Company in Sofia, Bulgaria. From 1997 to 2001, he was Head of Foreign Corporate Governance and Operations of Ciech S.A., the biggest Polish chemical holding company. He has been connected with pharmaceutical industry for more than 10 years. From 2002 to 2006, he was the Country Manager for Ciech Polfa, Russia and from 2006 to 2009, he was Regional Director for Eastern Europe in Bioton S.A.

Ms. Lim Lean Guat
(Age 46)

Ms. Lim is the Group Financial Controller, responsible for finance, treasury, taxation and corporate administration functions of the Company. Ms. Lim is a fellow member of Association of Chartered Certified Accountants (ACCA), with more than 15 years of experience in accounting and finance.

She started her career in Ernst & Young before joining Lafarge Group, the global leader in building materials industry. Ms. Lim worked in Lafarge Group from 1996 to 2009, where she rose through the ranks to hold senior finance and accounting position.

Information on company secretaries

Mr. Adam Tomasz Polonek and Ms. Seet Beng Choo Jeanne have been the Company Secretaries of the Company since July 2017.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Meetings of directors

The numbers of meetings of the Company's Board of directors and of each board committee held during the financial year ended December 31, 2017, and the numbers of meetings attended by each director were:

Full meetings of directors	Meetings of committees					
	Directors		Audit		Remuneration	
	A	B	A	B	A	B
Dr. Marek Dziki	3	3	2	3	-	-
Mr. Adam Tomasz Polonek	3	3	3	3	-	-
Dr. Ju Bo Liu	-	2	-	-	-	-
Mr. Kenneth Gross	3	3	3	3	-	-
Mr. Vaidyanathan Viswanath	2	2	-	-	-	-
Mr. Marcin Dukaczewski	1	3	-	-	-	-
Mr. Mateusz Patryk Kosecki	1	3	-	-	-	-
Ms. Lim Lean Guat	1	1	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Key management personnels' emoluments

The Remuneration Committee, comprising the following directors:

- Mr. Marcin Dukaczewski
- Mr. Adam Tomasz Polonek

The Remuneration Committee should comprise entirely of non-executive directors and be chaired by an independent director. Whilst this is a departure from the recommendation, the Board believes that the new Committee has the knowledge and experience on remunerations in the biopharmaceutical industry. During the year, the Remuneration Committee did not meet.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the Chief Executive Officer and remuneration for non-executive directors. In reviewing remuneration levels, the Board takes into account financial performance in addition to other goals related to business development and operational issues.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Executive remuneration and other terms of employment are reviewed annually by the Chief Executive Officer having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group and the Company's operations.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. No options were issued and bonuses are not payable to non-executive directors. No remuneration was paid to the Remuneration Committee.

Details of remunerations

Details of the remunerations of the directors and the key management personnel of the Company and the Group are set out in the following tables. During the year, the directors did not receive remunerations from the Company, except for those as disclosed in the tables below.

The key management personnel of the Company include the directors as per pages 15 to 19 above and the following executive officers, which also includes the following highest paid executives of the entity:

- Poh Kim Hai - *Regional Marketing Manager*
- Jesus Winnetou Basuel - *Country Manager - Philippines*
- Lim Lean Guat - *Group Financial Controller*
- Alvin Toh Wei Qiang - *Accountant*
- Kong Lai Chee - *Finance and Logistics Manager*

The key management personnel of the Group are the directors of SciGen Ltd (see pages 15 to 19 above) and those executives that are involved in the decision making of the Company and the Group. This includes these Group executives who received the highest remuneration for the financial year ended December 31, 2017. The executives are:

- Jean-Claude Balducci - *Country Manager - Australia & New Zealand*
- Poh Kim Hai - *Regional Marketing Manager*
- Edward Thomas - *Sales Training Manager & Business Development Executive*
- Chander Shekhar Sharma - *Business Development Executive*
- Lim Lean Guat - *Group Financial Controller*

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Key management personnel of Company

Year ended December 31, 2017

Name	Short-term employee benefits			Post-employment benefits		Termination benefits	Total US\$
	Cash salary and fees US\$	Cash bonus US\$	Non-monetary benefits US\$	Super-annuation US\$	Retirement and insurance benefits US\$	Amount US\$	
Non-executive directors							
Mr. Kenneth Gross	23,059	-	-	-	-	-	23,059
Sub-total non-executive directors	23,059	-	-	-	-	-	23,059
Executive director							
Ms. Jenny Low Saw Imm ¹	261,656	-	1,519	1,412	-	-	264,587
Mr. Ashley Morris ²	197,204	37,729	74	6,937	-	-	241,944
Ms. Lim Lean Guat ³	33,402	2,783	155	3,309	-	-	39,649
Other key management personnel							
Mr. Poh Kim Hai	122,428	20,202	1,567	12,660	-	-	156,857
Ms. Lim Lean Guat ³	71,702	5,975	313	7,524	-	-	85,514
Mr. Jesus Basuel	86,936	19,879	4,922	31	-	-	111,768
Ms. Kong Lai Chee ⁴	56,833	4,458	3,334	4,716	-	-	69,341
Mr. Alvin Toh Wei Qiang ⁵	12,094	970	14	2,170	-	-	15,248
Total	865,314	91,996	11,898	38,759	-	-	1,007,967

Note:

- ¹ Ms. Jenny Low Saw Imm retired on June 30, 2017.
- ² Mr. Ashley Morris resigned on September 8, 2017 and served his notice period.
- ³ Ms. Lim Lean Guat, Group Financial Controller, was appointed as director on September 8, 2017.
- ⁴ Ms. Kong Lai Chee, Finance and Logistics Manager, last day of employment was on October 18, 2017.
- ⁵ Mr. Alvin Toh Wei Qiang, Accountant, joined the Company on October 9, 2017.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Key management personnel of Company

Year ended December 31, 2016

Name	Short-term employee benefits			Post-employment benefits		Termination benefits	Total US\$
	Cash salary and fees US\$	Cash bonus US\$	Non-monetary benefits US\$	Super-annuation US\$	Retirement and insurance benefits US\$	Amount US\$	
Non-executive directors							
Mr. Kenneth Gross	22,369	-	-	-	-	-	22,369
Sub-total non-executive directors	22,369	-	-	-	-	-	22,369
Executive director							
Ms. Jenny Low Saw Imm	233,484	14,818	4,506	5,697	-	-	258,505
Other key management personnel							
Mr. Poh Kim Hai	111,371	21,012	584	12,537	-	-	145,504
Ms. Lim Lean Guat	100,352	8,230	1,046	10,364	-	-	119,992
Ms. Liza Domingo	80,033	2,822	7,209	27	-	-	90,091
Ms. Tan Shi Yi	66,595	5,644	1,396	9,177	-	-	82,812
Ms. Kong Lai Chee	63,204	5,302	1,844	5,270	-	-	75,620
Total	677,408	57,828	16,585	43,072	-	-	794,893

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Key management personnel of the Group

Year ended December 31, 2017

Name	Short-term employee benefits			Post-employment benefits		Termination benefits	Total US\$
	Cash salary and fees US\$	Cash bonus US\$	Non-monetary benefits US\$	Super-annuation US\$	Retirement and insurance benefits US\$	Amount US\$	
Non-executive directors							
Mr. Kenneth Gross	23,059	-	-	-	-	-	23,059
Mr. Tim Holden	6,134	-	-	-	-	-	6,134
Sub-total non-executive directors	29,193	-	-	-	-	-	29,193
Executive directors							
Ms. Jenny Low Saw Imm ¹	261,656	-	1,519	1,412	-	-	264,587
Mr. Ashley Morris ²	197,204	37,729	74	6,937	-	-	241,944
Mr. Henry Dong-Ha Pyun	187,166	56,952	17,769	2,110	-	-	263,997
Ms. Lim Lean Guat ³	33,402	2,783	155	3,309	-	-	39,649
Other key management personnel							
Mr. Jean-Claude Balducci	231,021	21,740	-	36,103	-	-	288,864
Mr. Poh Kim Hai	122,428	20,202	1,567	12,660	-	-	156,857
Mr. Edward Thomas	128,056	10,007	-	13,116	-	-	151,179
Mr. Chander Shekhar Sharma	105,512	7,814	-	10,766	-	-	124,092
Ms. Lim Lean Guat ³	71,702	5,975	313	7,524	-	-	85,514
Total	1,367,340	163,202	21,397	93,937	-	-	1,645,876

Note:

- ¹ Ms. Jenny Low Saw Imm retired on June 30, 2017.
- ² Mr. Ashley Morris resigned on September 8, 2017 and served his notice period.
- ³ Ms. Lim Lean Guat, Group Financial Controller, was appointed as director on September 8, 2017.

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Key management personnel of the Group

Year ended December 31, 2016

Name	Short-term employee benefits			Post-employment benefits		Termination benefits	Total US\$
	Cash salary and fees US\$	Cash bonus US\$	Non-monetary benefits US\$	Super-annuation US\$	Retirement and insurance benefits US\$	Amount US\$	
Non-executive directors							
Mr. Kenneth Gross	22,369	-	-	-	-	-	22,369
Mr. Tim Holden	5,950	-	-	-	-	-	5,950
Sub-total non-executive directors	28,319	-	-	-	-	-	28,319
Executive directors							
Ms. Jenny Low Saw Imm	233,484	14,818	4,506	5,697	-	-	258,505
Mr. Henry Dong-Ha Pyun	173,693	28,129	14,697	2,031	-	-	218,550
Other key management personnel							
Mr. Jean-Claude Balducci	214,413	-	-	32,096	-	-	246,509
Mr. Poh Kim Hai	111,371	21,012	584	12,537	-	-	145,504
Mr. Edward Thomas	106,938	7,341	-	14,597	-	-	128,876
Ms. Lim Lean Guat	100,352	8,230	1,046	10,364	-	-	119,992
Mr. Chander Shekhar Sharma	99,876	7,431	-	10,194	-	-	117,501
Total	1,068,446	86,961	20,833	87,516	-	-	1,263,756

SCIGEN LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

Insurance of officers

During 2017, the Company paid a premium of US\$13,983 (2016 : US\$31,918) to insure the directors and officers of the Company and its controlled entities, and the managers of each of the divisions of the Group and the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group and the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Appointment of auditors

The Audit Committee is in the process of selecting audit firm for appointment as external auditors of the Company which will be included at the forthcoming AGM of the Company.

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Marek Dziki
Chairman & Chief Executive Officer



.....
Adam Tomasz Polonek
Chief Financial Officer & Director

Singapore
March 15, 2018

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

SciGen Ltd (the "Company" or "SciGen") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company's corporate governance framework is largely consistent with the Best Practice recommendations released by the Australian Stock Exchange ("ASX") Corporate Governance Council when taking into account the size and scope of the Company. The Company and its controlled entities together are referred to as the Group in this statement.

The Corporate Governance Statement has been structured with reference to the ASX Corporate Governance Principles and Recommendations to the extent that they are applicable to the Company.

Principle 1

Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

Disclosure

In accordance with the Board Charter, the Board has reserved to itself the following specific responsibilities:

- providing leadership and setting the strategic objectives of the company; and overseeing management's implementation of those strategic objectives and performance generally;
- monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies;
- assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists;
- appointing, removing and determining the terms of engagement of the Directors, Chief Executive Officer ("CEO") and Company Secretary;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of SciGen's accounting and corporate reporting systems (including external audit);
- overseeing SciGen's process for making timely and balanced disclosure;
- ensuring SciGen has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- approving SciGen's remuneration framework; and
- monitoring the effectiveness of SciGen's governance practices.

The Board has the authority to manage the day to day affairs of SciGen and authority to control the affairs of SciGen in relation to all matters other than those responsibilities reserved to itself in the Board Charter.

The Board has authority to sub-delegate to the senior management team.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Disclosure

The Board is in charge of appointing new Board candidates, having regard to their skills, experience and expertise.

In doing so, the Board intends for appropriate checks to be undertaken in relation to that potential Board candidate. The Board undertakes a review of the potential candidate and their appropriate skills through a reference to their previous positions and references from contacts.

The Board provides and will continue to provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executives setting out the terms of their appointment.

Disclosure

All directors (and proposed directors) and senior executives have entered into written appointment agreements with SciGen.

Specifically:

- the non-executive directors have each executed a letter of appointment setting out the terms and conditions of their appointment; and
- the executive director and senior executives of the Company have entered into service contracts, setting out the terms and conditions of their employment.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Disclosure

The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.

Under the Board Charter, the Company Secretary is responsible for:

- advising the Board and its committees on governance matters;
- monitoring the Board and committee policy and procedures are followed;
- coordinating the timely completion and dispatch of Board and committee papers;
- ensuring the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors and the Company Secretary.

Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements of the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
 - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Disclosure

SciGen has established a Diversity Policy. The Company recognizes that a talented and diverse workforce at all levels of the Company is a key competitive advantage and that experienced, skilled and diversified employees are an important contributor to the Company's success.

The Company promotes an inclusive workplace where employee differences like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience that our employees possess promotes greater creativity and innovation that better reflects and serves the needs of our diverse customer base ultimately driving improved business performance.

The Company recognises that encouraging workplace diversity is not just the socially responsible course of action but is also a source of competitive advantage for the Group.

The Group is committed to improving the gender diversity throughout the business with a particular focus on what can be achieved to improve the number of females in senior leadership roles.

The Company's current objectives in relation to gender diversity are to monitor and maintain the percentage of females in senior leadership positions at a level of at least 40%.

The Company will disclose the respective proportions of men and women on the board, in senior executive positions and across the whole organisation in its annual report.

The Company utilizes a range of inputs to inform its strategy and also assess its performance in this area such as employee opinion surveys, targeted focus groups, monitoring a host of employee data as well as external benchmarking.

The proportion of female employees to male employees within the Group as of December 31, 2017 was 40% female and 60% male. 37% of senior leadership positions are held by females and 13% of SciGen's directors are female (0% of non-executive directors).

Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Disclosure

It is intended that the Board will undertake an annual self-assessment of its collective performance. The process may be facilitated by an independent third party. In addition, each Board Committee may undertake an annual self-assessment on the performance of the Committee and the achievement of Committee objectives.

The Chairperson is responsible for evaluating the Board and individual directors' performance annually.

During the year ending December 31, 2017, the Chairperson met privately with most directors and senior executives to discuss this assessment. Moving forward the Chairperson intends to meet privately with each director and senior executives to discuss this assessment. The Chairperson's performance may be reviewed by the Board.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Disclosure

Under the Board Charter, senior executives' performances will be considered by the relevant supervisors in a meeting separate to the Board meetings. The Chairperson is responsible for ensuring that the meetings take place on an annual basis.

The performance evaluations for the calendar year 2017 have been conducted.

Principle 2

Structure the Board to add value

Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committees which:
 - (1) has at least 3 members, a majority of whom are independent directors;
 - (2) is chaired by an independent director;
and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Disclosure

SciGen does not have a formally constituted Nomination Committee given the complete nature of the Board composition currently. SciGen recognises it is not in compliance with recommendation 2.1. However, the function of reviewing the competencies of directors, appoint and re-appointment of directors, review of board succession and evaluation of the performances of the board and committees is undertaken by the full Board.

Currently the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. At such time when the Company is well established, a Nomination Committee will be formed and the Board restructured.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Disclosure

The Board has adopted a board skills matrix. The Company will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. The mix of skills and diversity for which the Board is looking to achieve in membership of the board is represented by the composition of its current Board. The Board members have a high level of experience and expertise in the pharmaceutical industry. The Board skills matrix set out below describe the combined skills, experience and expertise presently present on the board.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Skills, experience and expertise		
Leadership experience	Strategies and Business Development	Corporate Governance & Risk Management
Industry experience & knowledge	Marketing	Investment
Financial Acumen	International & regional experience	ASX listed company experience
Finance & Banking	Manufacturing	Regulatory policies
Capital Markets	Research & development	

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position association or relationship of the type described Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Disclosure

The independent directors as of the date of this report are:

- Mr. Kenneth Gross
- Mr. Vaidyanathan Viswanath

The Board will regularly assess the independence of each director in light of the interests disclosed by them. That assessment will be made at least annually at, or around the time, that the Board considers candidates for election to the Board, and each independent director is required to provide the Board with all relevant information for this purpose.

If the Board determines that a director's independent status has changed, that determination will be disclosed to the market in a timely fashion.

Additionally, the Board has also resolved that the mere fact that a director has been in office for a period greater than ten (10) years does not change that director's status as an independent.

As at the date of this report, the length of service of each director is as follows:

<u>Director</u>	<u>No of years</u>
Dr. Marek Dziki	1.8
Mr. Adam Tomasz Polonek	9.7
Dr. Ju Bo Liu	1.1
Mr. Kenneth Gross	17.7
Mr. Vaidyanathan Viswanath	1.1
Mr. Marcin Dukaczewski	9.2
Mr. Mateusz Patryk Kosecki	8.3
Ms. Lim Lean Guat	0.5

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

Disclosure

The Board does not comprise of a majority of independent directors. The non-independent directors have the relevant expertise in the corporate finance, manufacture and world-wide sales and marketing of the product. Whilst this is a departure from the recommendation, the Board believes that the composition of the Board currently brings the right mix of complementary skills, experience and representation for the Company and its shareholders at this point in its life.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Disclosure

Dr. Marek Dziki, Chairperson of the Board and the CEO, is not an independent director under the principles set out in the Guidelines. Whilst this is a departure from the recommendation the Board believes that given the current size of the Company and its history, the Board considers that the Chairperson's functions are efficiently achieved by the Dr. Dziki.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Disclosure

Under the Board Charter, the directors are expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.

The Company Secretary will help to organise and facilitate the induction and professional development of directors.

Principle 3

Act ethically and responsibly

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

Disclosure

The Board has developed a Code of Conduct which has been reviewed by the Board and will apply to all directors and employees. The Code will be reviewed regularly and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code of Conduct requires that at all times, all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The Company is in the process of reviewing the current policies of the Code of Conduct to include the reporting and investigation of unethical practices. To date, all reports of unethical practices received have been taken seriously by the Board and investigated and action take if required. The Code of Conduct is available on the Company's website.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Principle 4

Safeguard integrity in corporate reporting

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (2) is chaired by an independent director who is not the chair of the board; and disclose:
 - (3) the charter of the committee;
 - (4) the relevant qualifications and experience of the members of the committee; and
 - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting including the processes for the appointment and removal of external auditor and the rotation of the audit engagement partner.

Disclosure

The Board is committed to following Recommendation 4.1 and has established an Audit Committee. This committee is responsible for, amongst other things, appointing the Company's external auditors and overseeing the integrity of the Company's financial reporting systems and financial statements.

The Committee consists of:

- Mr. Kenneth Gross, Chairperson of Audit Committee (Independent, non-executive director)
- Dr. Marek Dziki (Non-independent, executive director)
- Mr. Adam Tomasz Polonek (Non-independent, executive director)

The Committee does not consist entirely of non-executive directors and thus is not compliant with Recommendation 4.1. However, SciGen feels given the composition of the Board and the size of the Company that this is the most appropriate composition for an effective Audit Committee.

The Company has also adopted an Audit Committee Charter which is available on the Company's website.

The qualifications of those appointed to the Committee are detailed in the Directors' statement.

The details of the number of meetings of the Audit Committee are disclosed in the Directors' statement.

Recommendation 4.2

The board of a listed entity should before it approves the entity's financial statements for a financial period, receive from its CEO and Chief Financial Officer ("CFO") a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Disclosure

The CEO and CFO have made the following certifications in writing to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and Company and are in accordance with relevant accounting standards, except for the matters qualified in the auditors' report; and
- that the above statements are founded on a sound system of risk management and internal compliance and control which implement the policies adopted and the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects.

Recommendation 4.3

A listed entity that has an Annual General Meeting ("AGM") should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Disclosure

In terms of an external audit, a formal invitation has been extended by the Board to the audit partner of Deloitte & Touche LLP to attend the AGM of the Company and through the Chairperson, will be available to answer questions relating to the conduct of the audit.

Principle 5

Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligation under the Listing Rules; and
- (b) disclose that policy or a summary it.

Disclosure

Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure and Communication Policy, which sets out SciGen's commitment to the objective of promoting investor confidence and the rights of shareholders by:

- complying with the continuous disclosure obligations imposed by law;
- ensuring that company announcements are presented in a factual, clear and balanced way;
- ensuring that all shareholders have equal and timely access to material information concerning SciGen; and
- communicating effectively with shareholders and making it easy for them to participate in general meetings.

The Disclosure and Communication Policy is available on the Company's website. The Corporate Secretary advises the Board on ASX Listing Rules and Guidance Recommendations matters.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Principle 6

Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Disclosure

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary will be primarily responsible for ensuring communications with shareholders are delivered in accordance with this strategy and with its current market disclosure policy.

Information concerning the Company and its governance practices available on its website at <http://scigenltd.com/corporate/>.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Disclosure

As mentioned above under Recommendation 5.1, the Board has adopted a Disclosure and Communication Policy which supports its commitment to effective communication with its shareholders. In addition, the Company intends to communicate with its shareholders:

- by making timely market announcements;
- by posting relevant information on to its website;
- by inviting shareholders to make direct inquiries to the Company; and
- through the use of general meetings.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Disclosure

The Board encourages participation of shareholders at the AGM or any other shareholders' meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution. Other than at AGMs or EGMs, SciGen does not hold any other meetings for shareholders.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Disclosure

Shareholders can e-mail the Company and receive updates or answers to specific questions where appropriate.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Principle 7

Recognise and manage risk

Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk each of which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director; and disclose
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) it does not have a risk committee or committee that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Disclosure

The Board does not have a specific Risk Committee and thus is not compliant with Recommendation 7.1. However, the Company is committed to its management of risk to protect its employees, assets, earnings, markets, reputation and the environment.

The Board has implemented risk management procedures throughout the Company that aim to identify the sources of risk and loss, quantify the impact of these sources and control and reduce the risk through practical and cost effective control measures. This will continue to be reviewed and enhanced.

In addition, the Company uses risk-financing techniques, including insurance, to reduce the financial impact of any uncontrollable or catastrophic losses.

The Audit Committee of the Board currently accepts the role and responsibility of over-seeing the control of financial risk. The committee ensures that adequate internal controls and risk-financing measures (such as insurance) are in place. These measures provide some protection against financial events.

In terms of more general risk management, managers in each country where the Company employs staff are responsible for conforming to local occupational health and safety requirements. Given the relatively small size of the Company and its geographic diversity it is not considered useful to constitute a formal Risk Committee at this point.

Further risk policy development will be undertaken in consultation with the Audit Committee and the Board as appropriate.

Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review had taken place.

Disclosure

The Board has implemented risk management procedures throughout the Company that aim to identify the sources of risk and loss, quantify the impact of these sources and control and reduce the risk through practical and cost effective control measures. This will continue to be reviewed and enhanced.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Disclosure

SciGen does not have an internal audit function due to the present size of the Company.

The Board is responsible for ensuring there are adequate policies in relation to risk oversight and management, and internal control systems. In summary, the Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Disclosure

The Company does not have any material exposure to economic, environmental and social sustainability risks.

Principle 8

Remunerate fairly and responsibly

Recommendation 8.1

The board of an entity should:

- (a) have a remuneration committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director;
and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Disclosure

The Remuneration Committee currently consists of the following directors:

- Mr. Marcin Dukaczewski (Non-independent, non-executive);
- Mr. Adam Tomasz Polonek (Non-independent, executive).

The Remuneration Committee should comprise entirely of non-executive directors and be chaired by an independent director. Whilst this is a departure from the recommendation, the Board believes that the new Committee have the requisite knowledge and experience on remunerations in the biopharmaceutical industry.

SCIGEN LTD AND ITS SUBSIDIARIES

CORPORATE GOVERNANCE STATEMENT

Until now, the Remuneration Committee was responsible mainly for the review and recommendation of the remuneration of the CEO.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive and non-executive directors.

During the year, the Remuneration Committee did not meet.

The Company has adopted a Remuneration Committee Charter which is on the Company's website.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Disclosure

Current remuneration packages of executive directors and senior executives include a balance between fixed and incentive pay. The incentives are payable upon achievement of certain short term and long-term objectives. Non-executive directors, if paid, receive a fixed fee.

The twelve months report of the Company contains detailed information of the remuneration of directors and senior executives. This information includes references to share option allocations, if any.

The Remuneration Committee and the Board will review the term of any proposed scheme for the retirement benefits, other than the statutory superannuation, for non-executive directors.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

Disclosure

The Company does not have an equity-based remuneration scheme and thus this recommendation does not apply to the Company.

However, trading in the Company's securities is regulated by the Securities and Futures Act (Singapore) and the ASX Listing Rules. The Board makes all directors, officers and employees aware on the appointment that it is prohibited to trade in the Company's securities whilst that director, officer or employee is in the possession of price-sensitive information.

Directors are required to report to the Company Secretary any movements in their holdings of Company securities, which are reported to the ASX in the required timeframe prescribed by the ASX Listing Rules. The Share Trading Policy can be found on the Company website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIGEN LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SciGen Ltd (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 December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies as set out on pages 43 to 95.

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 Financial Reporting Standards in Singapore ("FRSs") 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 December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the 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 Group 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 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 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.

Key audit matters	How the matters was addressed in the audit
<p>Recoverability of deferred tax assets</p> <p>The Group and the Company has recognised deferred tax assets amounting to US\$6,011,000 as at December 31, 2017 arising primarily on unutilised tax losses of the Company. These have been recognised on the basis that the Company has been generating taxable profits for the past five years and management expect the Company to continue to generate sufficient future taxable profits to utilise these tax losses.</p> <p>The estimates of the likely timing and level of future taxable profits together with future tax planning strategies require judgement and interpretation of tax law as well as estimating future profits determined based on judgement and estimation of the assumptions underlying the financial projections.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Held discussion with management to obtain an understanding on whether there have been any significant changes in circumstances which warrant the management to update their assessment on the interpretation of tax law and regulations (such as retention of majority shareholders as defined) and the future taxable profit projections used in prior year; • Examined the arithmetical accuracy of the projection model; • Assessed, evaluated and challenged the interpretation of tax law and regulations (such as retention of majority shareholders as defined) and the key assumptions, such as growth rates and gross profit margin, used in the future profit projections in determining the future taxable profit projections to support the recognition of deferred tax assets, using historical data/trend and our knowledge of the business and operations of the Group; and • Performed a comparison of future profit projections made in the previous years to the actual profit achieved by the Company to assess the reliability and reasonableness of management’s assumptions and estimates used in the profit projections in the prior years. <p>The disclosure of the above significant estimates is provided in Note 3(b) to the financial statements, and further information related to the deferred tax assets is provided in Note 12 to the financial statements.</p>

Key audit matters	How the matters was addressed in the audit
<p data-bbox="196 331 786 365">Impairment of intangible assets - licences</p> <p data-bbox="196 398 826 645">The carrying amounts of the intangible assets of the Group and the Company as at December 31, 2017 are US\$3,568,000 and US\$3,505,000 respectively. These intangible assets comprise mainly insulin licences amounting to US\$3,130,000 and development expenditures. Insulin licences are amortised over the finite useful life of 20 years.</p> <p data-bbox="196 678 826 891">Management carries out an impairment assessment on an annual basis which require judgement and estimation of the recoverable amounts of the licences based on its value in use for all products, determined by discounting the future cash flows generated from the continuing use of the licences.</p>	<p data-bbox="850 398 1233 432">Our audit procedures included:</p> <ul data-bbox="850 454 1481 1753" style="list-style-type: none"> <li data-bbox="850 454 1481 645">• Held discussion with management to obtain an understanding on whether there have been any significant changes in circumstances which warrant the management to update their estimated future cash flows used in prior year; <li data-bbox="850 678 1481 768">• Assessed the sale and gross profits of the respective product lines for indications of impairment of intangible assets; <li data-bbox="850 801 1481 857">• Examined the arithmetical accuracy of the future cash flows model; <li data-bbox="850 891 1481 1137">• Assessed and evaluated the Group’s estimation of future cash flows which is derived from the profit sharing agreements linked to the contracts for the use of insulin licence which it currently holds, to support that there is no indication of impairment of intangible assets at both the Group and Company level; <li data-bbox="850 1171 1481 1417">• Challenged the underlying assumptions, discount rates and growth rates used in estimating and discounting the future cash flows using historical data/trend, data of comparable companies within the same industry, publicly available information and our knowledge of the business and operations of the Group; <li data-bbox="850 1451 1481 1507">• Performed sensitivity analysis using a higher discount rate; and <li data-bbox="850 1541 1481 1753">• Performed a comparison of future cash flows used in the previous years to the actual cash flows achieved by the Company and the Group to assess the reliability and reasonableness of management’s assumptions and estimates used in the cash flows projections in the prior years. <p data-bbox="850 1787 1481 1933">The disclosure of the above significant estimates is provided in Note 3(a) to the financial statements, and further information related to intangible assets is provided in Note 11 to the financial statements.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Message from Chairman and Chief Executive Officer, Business Operations, Products, Corporate Directory, Directors' Statement, Corporate Governance Statement and Shareholders' Information included in 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 FRSS, 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 view 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:

- 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.

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 year 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 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 Mr. Panjabi Sanjay Gordhan.



Public Accountants and
Chartered Accountants
Singapore

March 15, 2018

SCIGEN LTD AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
December 31, 2017

	<u>Note</u>	Group		Company	
		2017	2016	2017	2016
		US\$'000	US\$'000	US\$'000	US\$'000
<u>ASSETS</u>					
Current assets					
Cash and cash equivalents	7	6,548	4,581	497	815
Trade and other receivables	8	7,087	6,063	4,448	3,340
Inventories	9	2,824	2,588	406	285
Total current assets		16,459	13,232	5,351	4,440
Non-current assets					
Plant and equipment	10	107	96	35	34
Intangible assets	11	3,568	3,823	3,505	3,777
Deferred tax assets	12	6,011	6,147	6,011	6,147
Subsidiaries	13	-	-	1,416	1,416
Total non-current assets		9,686	10,066	10,967	11,374
Total assets		26,145	23,298	16,318	15,814
<u>LIABILITIES, NET OF CAPITAL DEFICIENCY</u>					
Current liabilities					
Trade and other payables	14	3,260	3,106	1,179	736
Income tax payable		558	632	10	111
Total current liabilities		3,818	3,738	1,189	847
Non-current liabilities					
Other payables	14	11,975	10,749	11,975	10,749
Loans and borrowings	15	63,637	64,580	63,637	64,580
Total non-current liabilities		75,612	75,329	75,612	75,329
Capital and reserves					
Share capital	16	42,530	42,530	42,530	42,530
Translation reserve	17	(1,134)	(1,855)	-	-
Accumulated losses		(94,681)	(96,444)	(103,013)	(102,892)
Net capital deficiency		(53,285)	(55,769)	(60,483)	(60,362)
Total liabilities, net of capital deficiency		26,145	23,298	16,318	15,814

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended December 31, 2017

	<u>Note</u>	<u>Group</u>	
		<u>2017</u>	<u>2016</u>
		<u>US\$'000</u>	<u>US\$'000</u>
Revenue	18	40,395	29,138
Other income		40	74
Changes in inventories of finished goods		97	478
Purchases		(21,651)	(14,184)
Employees' benefits expense	20	(4,681)	(3,686)
Depreciation of plant and equipment	10	(44)	(39)
Amortisation of intangible assets	11	(353)	(340)
Write-off of inventories		(39)	(53)
Write-off of intangible assets		(10)	(17)
Other operating expenses	19	(9,526)	(7,306)
Profit before finance expense and income tax		4,228	4,065
Finance income	21	31	9
Finance expense	21	(1,406)	(914)
Profit before income tax		2,853	3,160
Income tax expense	22	(1,090)	(1,104)
Profit for the year		1,763	2,056
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		721	(438)
Other comprehensive income (loss) for the year, net of tax		721	(438)
Total comprehensive income for the year		2,484	1,618
Profit attributable to:			
Equity holders of the Company		1,763	2,056
Total comprehensive income attributable to:			
Equity holders of the Company		2,484	1,618
Earnings per share			
Basic and diluted earnings per share (cents)	23	0.319	0.372

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2017

	Share capital	Translation reserve	Accumulated losses	Net capital deficiency
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Group</u>				
Balance as at January 1, 2016	42,530	(1,417)	(98,500)	(57,387)
<u>Total comprehensive income for the year</u>				
Profit for the year	-	-	2,056	2,056
Other comprehensive loss for the year	-	(438)	-	(438)
Total	-	(438)	2,056	1,618
Balance as at December 31, 2016	42,530	(1,855)	(96,444)	(55,769)
<u>Total comprehensive income for the year</u>				
Profit for the year	-	-	1,763	1,763
Other comprehensive income for the year	-	721	-	721
Total	-	721	1,763	2,484
Balance as at December 31, 2017	42,530	(1,134)	(94,681)	(53,285)

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES**STATEMENTS OF CHANGES IN EQUITY (cont'd)**
Year ended December 31, 2017

	Share capital	Accumulated losses	Net capital deficiency
	US\$'000	US\$'000	US\$'000
<u>Company</u>			
Balance as at January 1, 2016	42,530	(103,545)	(61,015)
Profit for the year, representing total comprehensive income for the year	-	653	653
Balance as at December 31, 2016	42,530	(102,892)	(60,362)
Loss for the year, representing total comprehensive loss for the year	-	(121)	(121)
Balance as at December 31, 2017	42,530	(103,013)	(60,483)

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2017

	2017 US\$'000	2016 US\$'000
Operating activities		
Profit before income tax	2,853	3,160
Adjustments for:		
Depreciation of plant and equipment	44	39
Amortisation of intangible assets	353	340
Allowance for doubtful debts	-	(17)
Inventories written-off	39	53
Intangible assets written-off	10	17
Interest income	(31)	(9)
Interest expense	1,414	866
Loss on disposal of plant and equipment	2	-
Net foreign exchange (gain) loss	(8)	48
Operating cash flows before movements in working capital	<u>4,676</u>	<u>4,497</u>
Inventories	(275)	(384)
Trade and other receivables (Note A)	(2,156)	(2,755)
Trade and other payables (Note A)	155	436
Cash generated from operations	<u>2,400</u>	<u>1,794</u>
Income taxes paid	<u>(1,074)</u>	<u>(436)</u>
Net cash from operating activities	<u>1,326</u>	<u>1,358</u>
Investing activities		
Interest received	31	9
Purchase of plant and equipment	(52)	(38)
Additions in intangible assets	<u>(103)</u>	<u>(100)</u>
Net cash used in investing activities	<u>(124)</u>	<u>(129)</u>
Financing activity		
Interest paid	-	(25)
Net cash used in financing activity	<u>-</u>	<u>(25)</u>
Net increase in cash and cash equivalents	1,202	1,204
Cash and cash equivalents at beginning of year	4,581	3,579
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	765	(202)
Cash and cash equivalents at end of year	<u>6,548</u>	<u>4,581</u>

Note A:

During the year, the Company offset trade and other receivables from the ultimate holding company amounting to US\$1,132,000 (2016 : US\$12,052,000) against the loan and interest payable to ultimate holding company.

See accompanying notes to financial statements.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1 GENERAL

The Company (Registration Number. 199805796R) is incorporated in Singapore with its principal place of business and registered office at 152 Beach Road, #26-07/08 Gateway East, Singapore 189721.

The Company is listed on the Australian Securities Exchange. The consolidated financial statements are presented in United States dollars, which is the Company's functional currency and rounded to the nearest thousand (\$'000), unless stated otherwise.

The principal activities of the Group and the Company consisted of sales, marketing and business development of pharmaceutical and recombinant technology derived products. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

As at December 31, 2017, the Group and Company have net capital deficiency of US\$53,285,000 (2016 : US\$55,769,000) and US\$60,483,000 (2016 : US\$60,362,000) respectively. Notwithstanding these conditions, on the account of continued financial support from the ultimate holding company, the directors do not believe that there are any material uncertainties surrounding the ability of the Group and Company to operate on a going concern basis, as disclosed in Note 4(b)(iv) to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2017 were authorised for issue by the Board of Directors on March 15, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c) Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations.

The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 15. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 15, the application of these amendments has had no impact on the Group's consolidated financial statements.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*¹
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*¹
- FRS 116 *Leases*²
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration*¹
- INT FRS 123 *Uncertainty over Income Tax Treatments*²

¹ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

Consequential amendments were also made to various standards as a result of these new or revised standards.

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The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment of financial assets. Management has performed a detail analysis of the requirements of the initial application of FRS 109 and has anticipated that the adoption of FRS 109 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management has not early adopted the new FRS 109.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipate that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made in respect of trade receivables and revenue recognition, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of FRS 115, and has anticipated that the adoption of FRS 115 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management has not early adopted the new FRS 115.

FRS 116 Leases

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

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Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

As at December 31, 2017, the Group has non-cancellable operating lease arrangements of US\$974,000 as disclosed in Note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under FRS 116, and hence the Group will recognise a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of FRS 116. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review. Management has not early adopted the new FRS 116.

INT FRS 122 Foreign Currency Transactions and Advance Consideration

The Interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Management anticipates that the initial application of the new INT FRS 122 will result in changes to the accounting policies relating to the foreign currency transactions. Management has performed a detail analysis of the requirements of the initial application of INT FRS 122 and has anticipated that the adoption of INT FRS 122 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management has not early adopted the new INT FRS 122.

INT FRS 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

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Management is currently still assessing the possible impact of implementing INT FRS 123. It is currently not practicable to disclose any further information on the known or reasonably estimable impact to the Group's and the Company's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management has not early adopted INT FRS 123.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee, (b) is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair values at the acquisition date except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

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Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified as "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payable when the recognition of interest would be immaterial.

Interest-bearing loan from ultimate holding company is initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

OFFSETTING ARRANGEMENTS - Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PLANT AND EQUIPMENT - Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method on the following bases:

Office furniture and fittings	-	5 to 10 years
Office equipment	-	3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Internally-generated intangible assets - research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development costs are charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Profit sharing

Profit sharing revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Profit sharing agreements are based on sales and other measures, recognised by reference to the underlying arrangement. Profit share are for the use of the Group's intangible assets.

BORROWING COSTS - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and state schemes where the Group's operations are located, are dealt with as payments to defined contribution plans where the Group's obligation under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in profit or loss.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the company operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in United States dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Critical judgements in applying the Group's accounting policies

There are no critical judgements made that will have significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below and in other notes to the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

(a) Impairment of intangible assets - licences

The Group has substantial investments in intangible assets, which mainly comprise of licences and the related development costs.

An impairment loss is recognised when events and circumstances indicate that the Group and the Company's intangible assets may be impaired and the carrying amounts of the intangible assets exceed their recoverable amounts.

The recoverable amounts of the licences and development costs were estimated based on its value in use for all products. Value in use was determined by discounting the future cash flows generated from the continuing use of the intangible assets.

The management has estimated the recoverable amount of the licences for insulin with a carrying amount of US\$3,130,000 (2016 : US\$3,346,000) (Note 11). The recoverable amount was estimated based on its value in use which includes discounting future cash flows generated from the continuing use of the licences through profit sharing income using the implied pre-tax rate of 7.8% (2016 : 7.8%) and terminal growth rate of 0% (2016 : 0%). The Company has signed two (2016 : two) profit sharing agreements with its ultimate holding company, whereby the Company will receive a share of the revenues from the use of the insulin licences in the countries wherein the Group has the licences and rights to distribute the product. The Company expects profit from its ultimate holding company for contracts with annual sale for the next eight years (2016 : nine years) with projected fee based on estimated volume for the use of insulin licences and development cost which confirms the non-impairment of the licences and related development costs for insulin.

The carrying amounts of the Group and the Company's intangible assets are disclosed in Note 11 to the financial statements.

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(b) Deferred tax assets valuation

The carrying amount of deferred tax assets amounts to US\$6,011,000 (2016 : US\$6,147,000). The deferred tax assets are recognised for the carryforward of unused tax losses and some temporary tax differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies and also subject to satisfying relevant tax legislations in jurisdiction where the Company and its subsidiaries operate.

(c) Provision

Subsequent to the end of the reporting period, a supplier has filed a disposition against the Korean subsidiary to ban import and sales of a particular product in the Korean market. The Korean subsidiary is in the process of opposing the disposition in court. As this is at a very early stage, the directors are unable to assess the likely outcome of the disposition and the potential impact on the future sales of the said product in Korea.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	13,471	10,421	4,879	4,033
Financial liabilities				
Amortised cost	78,872	78,435	76,791	76,065

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(b) Financial risk management policies and objectives

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk. The Group manages its exchange risk by monitoring the movements in exchange rate regularly. The Group does not enter into any forward contracts to hedge its exposure to movement in exchange rate.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currency are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
United States dollars	1	1	-	38	-	-	-	-
Singapore dollar	91	92	294	211	91	92	294	211
Australian dollar	6	6	16	3	6	6	16	3
Euro	33	-	-	-	33	-	-	-
Philippine peso	72	73	-	-	72	73	-	-

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Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit before tax will increase (decrease) by:

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollars	-	(4)	-	-
Singapore dollar	(20)	(12)	(20)	(12)
Australian dollar	(1)	1	(1)	1
Euro	3	-	3	-
Philippines peso	7	7	7	7

If the relevant foreign currency weakens by 10% against the functional currency of the Company, there would be an equal and opposite impact on the profit or loss.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

(ii) Interest rate risk management

Interest rate risk arises from potential change in interest rates that may have an adverse effect on the Group in the current period and future years.

The Group's exposure to changes in interest rates relates primarily to its interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Summary quantitative data of the Group's and the Company's interest-bearing financial instruments can be found in Note 4(b)(iv) to the financial statements.

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Interest rate risk

The Group has substantial borrowings with variable interest rates and is therefore exposed to interest rate risk. This arises primarily from borrowings denominated in United States dollars. The Group does not use derivative financial instruments to hedge its interest rates.

Sensitivity analysis

At the reporting date, the Group and the Company has a floating rate loan from the ultimate holding company of US\$63,637,000 (2016 : US\$64,580,000). A change of 100 basis points ("bp") in interest rates at the reporting date would increase (decrease) profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit	
	100 bp increase	100 bp decrease
	US\$'000	US\$'000
2017		
Variable rate loans from ultimate holding company	(636)	636
2016		
Variable rate loans from ultimate holding company	(646)	646

(iii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

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The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If the customers are independently rated, these ratings are used. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers. The Group does not require collateral in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Except for two customers in Thailand and Philippines with trade receivables as at December 31, 2017 of US\$1,029,000 (2016 : US\$824,000), trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Management continuously monitor recoverability of debts. Management is of the view that there is no concentration of credit risk apart from the customer in Thailand. Further details of credit risks on trade and other receivables are disclosed in Note 8 to the financial statements.

Cash and fixed deposits are held with reputable financial institutions.

(iv) Liquidity risk management

The Group and the Company maintains sufficient cash and cash equivalents and internally generated cash flows to finance their activities. As at December 31, 2017, the Group and the Company has available cash and cash equivalents totalling to US\$6,548,000 (2016 : US\$4,581,000) and US\$497,000 (2016 : US\$815,000), respectively, to finance its operations.

The Group had a net profit of US\$1,763,000 (2016 : US\$2,056,000) for the year ended December 31, 2017. As at December 31, 2017, the Group's and Company's current assets exceed their current liabilities by US\$12,641,000 (2016 : US\$9,494,000) and US\$4,162,000 (2016 : US\$3,593,000) respectively. The Group and Company have a net capital deficiency of US\$53,285,000 (2016 : US\$55,769,000) and US\$60,483,000 (2016 : US\$60,362,000) respectively.

The Group and the Company are dependent on the ultimate holding company as the ultimate holding company has given an undertaking to provide continuing financial support to enable the Group and the Company to operate as going concern and to discharge the obligations as and when they fall due. The management is satisfied that financial support will be available when required.

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Accordingly, the financial statements of the Group have been prepared assuming that the Group and the Company will continue as going concerns.

The Group and the Company's financial assets and financial liabilities are substantially short-term in nature, except for loans and borrowings as disclosed in Note 15 to the financial statements.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group						
2017						
Non-interest bearing	-	3,260	11,975	-	-	15,235
Variable interest rate loans from ultimate holding company	2.12	-	67,770	-	(4,133)	63,637
		<u>3,260</u>	<u>79,745</u>	<u>-</u>	<u>(4,133)</u>	<u>78,872</u>
2016						
Non-interest bearing	-	3,106	10,749	-	-	13,855
Variable interest rate loans from ultimate holding company	1.71	-	69,103	-	(4,523)	64,580
		<u>3,106</u>	<u>79,852</u>	<u>-</u>	<u>(4,523)</u>	<u>78,435</u>

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	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Company</u>						
2017						
Non-interest bearing	-	1,179	11,975	-	-	13,154
Variable interest rate loans from ultimate holding company	2.12	-	67,770	-	(4,133)	63,637
		<u>1,179</u>	<u>79,745</u>	<u>-</u>	<u>(4,133)</u>	<u>76,791</u>
2016						
Non-interest bearing	-	736	10,749	-	-	11,485
Variable interest rate loans from ultimate holding company	1.71	-	69,103	-	(4,523)	64,580
		<u>736</u>	<u>79,852</u>	<u>-</u>	<u>(4,523)</u>	<u>76,065</u>

Non-derivative financial assets

The Group's and the Company's non-derivative financial assets are cash and cash equivalents and trade and other receivables which are non-interest bearing and repayable on demand except for fixed deposits with bank which are at fixed interest rates.

(v) **Fair value of financial assets and financial liabilities**

The carrying amounts of cash and cash equivalents, trade and other receivables, payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

(c) **Capital management policies and objectives**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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Management reviews the capital structure on an on-going basis to achieve its capital objective. The capital structure of the Group consists of debts, which includes borrowings disclosed in Note 15 to the financial statements, share capital, reserves and retained earnings. The Group's overall strategy remains unchanged from 2016.

The Group is not subject to any externally imposed capital requirements.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Bioton S.A., incorporated in Poland, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Group's transactions and arrangements are between members of the ultimate holding company's group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest free and repayable on demand unless otherwise stated.

Transactions with the ultimate holding company during the year are disclosed below.

	Group	
	2017	2016
	US\$'000	US\$'000
<u>Ultimate holding company</u>		
Purchases of goods	5,447	3,944
Profit sharing on sales of insulin	(1,132)	(975)
Interest accrued for loan from ultimate holding company	1,414	841

No expense has been recognised in the period for doubtful debts in respect of the amounts owed by related companies. During the year, the Company offset the loan and interest payable to ultimate holding company against trade receivables from the ultimate holding company amounting to US\$1,132,000 (2016 : US\$12,052,000).

Following the execution of the exclusive supply and distribution agreements ("Distribution Agreements"), the ultimate holding company entered into two (2016 : two) profit sharing agreements with Company covering the markets of China and Vietnam, whereby the Company will receive fees based on the product sold and paid by the distributor under the Distribution Agreements. The Company owns the licences and rights to sell and distribute in China and Vietnam and profit sharing income is derived for the use of these intangible assets. The fee is specified as price per unit (per vial/cartridge) of the product sold and paid by the distributor.

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6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest free, will be settled in cash and repayable on demand unless otherwise stated.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of directors and key management personnel

Remuneration and retirement benefits paid/payable to directors and key management personnel are as follows:

	Group		Company	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Short-term employee benefits	1,551,939	1,176,240	969,208	751,821
Post-employment benefits	93,937	87,516	38,759	43,072
	<u>1,645,876</u>	<u>1,263,756</u>	<u>1,007,967</u>	<u>794,893</u>

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	6,456	4,497	497	815
Fixed deposits	92	84	-	-
	<u>6,548</u>	<u>4,581</u>	<u>497</u>	<u>815</u>

Fixed deposits bear average effective interest rate of 1.28% (2016 : 1.77%) per annum and for a tenure of approximately six to twelve months (2016 : six to twelve months). The carrying amounts of these assets approximate their fair values. Notwithstanding the maturity dates of the fixed deposits, management has the discretion to withdraw these deposits prematurely, at the forfeiture of interests.

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8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables due from third parties	6,645	5,474	1,304	1,090
Trade receivables due from subsidiaries (Note 5)	-	-	2,963	1,930
Deposits	255	233	105	102
Other receivables	10	23	10	20
Staff advances	3	5	-	-
Non-trade receivables due from ultimate holding company (Note 5)	-	19	-	-
Non-trade receivables due from related company (Note 5)	10	86	-	76
	6,923	5,840	4,382	3,218
Prepayments	164	223	66	122
	<u>7,087</u>	<u>6,063</u>	<u>4,448</u>	<u>3,340</u>

The trade and other receivables are unsecured, interest-free and are repayable on demand.

The average credit period on sales of goods is 60 days (2016 : 60 days). No interest is charged on the trade and other receivables. Allowances for doubtful debts are recognised against trade and other receivables based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

In determining the recoverability of a trade or other receivable, the Group considers any change in the credit quality of the trade or other receivable from the date credit was initially granted up to the end of the reporting period. The Group's primary exposure to credit risk arises through its trade receivables. The concentration of credit risk relating to trade and other receivables is limited due to the Group's many varied customers except for the two customers as disclosed in Note 4(b)(iii). These customers are internationally dispersed, engaged in a wide spectrum of pharmaceutical product distribution activities and sell in a variety of end markets.

The Group's historical experience in the collection of accounts receivable falls within the credit period. Accordingly, management believes that no allowance for doubtful debts is required.

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The maximum exposure to credit risk for trade receivables due from third parties at the reporting date (by geographical region) is:

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Thailand	638	726	638	726
Philippines	391	98	391	98
Australia	1,894	1,870	-	-
Korea	3,447	2,514	-	-
Vietnam	111	111	111	111
Pakistan	104	89	104	89
Others	60	66	60	66
	<u>6,645</u>	<u>5,474</u>	<u>1,304</u>	<u>1,090</u>

The Group's two most significant customers account for US\$1,029,000 (2016 : US\$824,000) of the trade receivables carrying amount as at December 31, 2017.

The table below is an analysis of trade receivables as at December 31:

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Not past due and not impaired	4,915	4,166	1,095	923
Past due but not impaired ⁽ⁱ⁾	1,730	1,308	209	167
Total trade receivables, net	<u>6,645</u>	<u>5,474</u>	<u>1,304</u>	<u>1,090</u>

(i) Aging of receivables that are past due but not impaired:

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Past due for 0 to 30 days	787	872	174	164
Past due for 31 to 120 days	943	436	35	3
	<u>1,730</u>	<u>1,308</u>	<u>209</u>	<u>167</u>

Other receivables of the Group and the Company in both 2017 and 2016 are not past due and not impaired as there is no change in credit quality.

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9 INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Finished goods	2,824	2,588	406	285

The cost of inventories recognised as an expense include US\$39,000 (2016 : US\$53,000) in respect of write-downs of inventory to net realisable value.

10 PLANT AND EQUIPMENT

	Office furniture and fittings	Office equipment	Total
	US\$'000	US\$'000	US\$'000
<u>Group</u>			
Cost:			
At January 1, 2016	223	292	515
Additions	4	34	38
Disposals	-	(2)	(2)
Write-off	-	(2)	(2)
Translation differences	(2)	(6)	(8)
At December 31, 2016	225	316	541
Additions	11	41	52
Disposals	-	(16)	(16)
Write-off	-	(1)	(1)
Translation differences	13	23	36
At December 31, 2017	249	363	612
Accumulated depreciation:			
At January 1, 2016	181	236	417
Depreciation charge for the year	15	24	39
Disposals	-	(2)	(2)
Write-off	-	(2)	(2)
Translation differences	(1)	(6)	(7)
At December 31, 2016	195	250	445
Depreciation charge for the year	14	30	44
Disposals	-	(14)	(14)
Write-off	-	(1)	(1)
Translation differences	11	20	31
At December 31, 2017	220	285	505
Carrying amount:			
At December 31, 2017	29	78	107
At December 31, 2016	30	66	96

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	Office furniture and fittings US\$'000	Office equipment US\$'000	Total US\$'000
<u>Company</u>			
Cost:			
At January 1, 2016	72	48	120
Additions	-	17	17
Disposals	-	(2)	(2)
At December 31, 2016	72	63	135
Additions	-	20	20
Disposals	-	(17)	(17)
At December 31, 2017	72	66	138
Accumulated depreciation:			
At January 1, 2016	66	23	89
Depreciation charge for the year	2	12	14
Disposals	-	(2)	(2)
At December 31, 2016	68	33	101
Depreciation charge for the year	2	15	17
Disposals	-	(15)	(15)
At December 31, 2017	70	33	103
Carrying amount:			
At December 31, 2017	2	33	35
At December 31, 2016	4	30	34

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11 INTANGIBLE ASSETS

	Licences US\$'000	Computer software US\$'000	Development costs US\$'000	Total US\$'000
<u>Group</u>				
Cost:				
At January 1, 2016	5,386	66	1,632	7,084
Additions	-	-	115	115
Write-off	-	-	(17)	(17)
Translation differences	-	-	(14)	(14)
At December 31, 2016	5,386	66	1,716	7,168
Additions	-	-	103	103
Write-off	-	-	(15)	(15)
Translation differences	-	-	23	23
At December 31, 2017	5,386	66	1,827	7,279
Amortisation:				
At January 1, 2016	1,824	66	942	2,832
Amortisation for the year	216	-	124	340
Translation differences	-	-	(3)	(3)
At December 31, 2016	2,040	66	1,063	3,169
Amortisation for the year	216	-	137	353
Write-off	-	-	(5)	(5)
Translation differences	-	-	6	6
At December 31, 2017	2,256	66	1,201	3,523
Impairment losses:				
At January 1, 2016	-	-	188	188
Translation differences	-	-	(12)	(12)
At December 31, 2016	-	-	176	176
Translation differences	-	-	12	12
At December 31, 2017	-	-	188	188
Carrying amount:				
At December 31, 2017	3,130	-	438	3,568
At December 31, 2016	3,346	-	477	3,823

SCIGEN LTD AND ITS SUBSIDIARIES

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

	Licences US\$'000	Computer software US\$'000	Development costs US\$'000	Total US\$'000
<u>Company</u>				
Cost:				
At January 1, 2016	5,386	66	1,343	6,795
Additions	-	-	81	81
At December 31, 2016	5,386	66	1,424	6,876
Additions	-	-	75	75
Write-off	-	-	(15)	(15)
At December 31, 2017	5,386	66	1,484	6,936
Amortisation:				
At January 1, 2016	1,824	66	879	2,769
Amortisation for the year	216	-	114	330
At December 31, 2016	2,040	66	993	3,099
Amortisation for the year	216	-	121	337
Write-off	-	-	(5)	(5)
At December 31, 2017	2,256	66	1,109	3,431
Carrying amount:				
At December 31, 2017	3,130	-	375	3,505
At December 31, 2016	3,346	-	431	3,777

Included in the above development costs of the Group and the Company are clinical trial and regulatory compliance costs.

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for development costs incurred is on average 5 to 20 years. Computer software is amortised over their estimated useful lives of 3 years, and licences are amortised over 20 years. The remaining useful life of the intangible assets on average is 10 years.

The amortisation expense has been included in the line item "Amortisation of intangible assets" in the consolidated statement of profit or loss and other comprehensive income.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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Type of licences in respect of biologics

	Cost	Cost	Duration of licences
	2017	2016	
	US\$'000	US\$'000	
Rights to market and distribute - SciLin®	5,386	5,386	20 years from the date of first approval for sales in specified group countries.

The licence to market and distribute insulin require the Company to obtain the relevant regulatory approvals in respective countries. The countries are largely within the Asia Pacific region.

12 DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and the Company, and the movement thereon, during the current and prior reporting periods:

	Tax losses	Other temporary differences	Total
	US\$'000	US\$'000	US\$'000
<u>Group</u>			
At January 1, 2016	6,344	11	6,355
Charge to profit or loss for the year (Note 22)	(222)	14	(208)
At December 31, 2016	6,122	25	6,147
Charge to profit or loss for the year (Note 22)	(136)	-	(136)
At December 31, 2017	5,986	25	6,011
<u>Company</u>			
At January 1, 2016	6,289	11	6,300
Charge to profit or loss for the year	(167)	14	(153)
At December 31, 2016	6,122	25	6,147
Charge to profit or loss for the year	(136)	-	(136)
At December 31, 2017	5,986	25	6,011

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

At the end of the reporting period, the Group and the Company has unutilised tax losses of approximately US\$36,809,000 and US\$35,229,000 (2016 : US\$36,859,000 and US\$36,011,000) respectively, available for offset against future taxable income, subject to agreement by the relevant tax authorities and compliance with the tax regulations (such as retention of majority shareholders as defined) in which the Group and the Company operates. The tax losses of the Group and the Company do not expire under the current tax regulations in respective countries except for one subsidiary from China.

Deferred tax benefits were recognised solely on the unutilised tax losses and other temporary differences of the Company, amounting to approximately US\$6,011,000 (2016 : US\$6,147,000) as management is of the view that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax asset has not been recognised to the extent US\$566,000 (2016 : US\$325,000) of the unutilised tax losses and other temporary differences of the Group amounting to US\$1,887,000 (2016 : US\$1,084,000) due to the unpredictability of the future taxable profit streams.

13 SUBSIDIARIES

	Company	
	2017	2016
	US\$'000	US\$'000
Unquoted equity shares, at cost	2,566	2,386
Less: Allowance for impairment loss	(1,150)	(970)
	<u>1,416</u>	<u>1,416</u>

Movement in the impairment loss on unquoted equity shares:

	Company	
	2017	2016
	US\$'000	US\$'000
Balance at beginning of the year	970	813
Increase in impairment loss recognised in profit or loss ⁽¹⁾	180	157
Balance at end of the year	<u>1,150</u>	<u>970</u>

⁽¹⁾ Relates to impairment loss on unquoted equity shares in SciGen (Beijing) Biotechnology Co. Ltd. The management reviewed the recoverable amount of its investments in a subsidiary in China. The subsidiary in China remained inactive in generating income. During the year, the management provided impairment loss for investment in subsidiary in China of US\$180,000 (2016 : US\$157,000).

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interest and voting power held		Principal activity
		2017	2016	
		%	%	
SciGen (Australia) Pty Ltd ⁽¹⁾	Australia	100	100	Sales and distribution
SciGen Korea Ltd ⁽²⁾	Republic of Korea	100	100	Sales and distribution
SciGen (Beijing) Biotechnology Co. Ltd ⁽³⁾	People's Republic of China	100	100	Regulatory activities

(1) Not required to be audited in accordance with the laws of country of incorporation, but audited for Group consolidation purposes only by Deloitte & Touche LLP.

(2) Audited by overseas practices of Deloitte & Touche Tohmatsu Limited for Group consolidation purposes only.

(3) Not required to be audited in accordance with the laws of country of incorporation, but reviewed for Group consolidation purposes only by Deloitte & Touche LLP.

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued interest payable to ultimate holding company (Note 5)	11,975	10,749	11,975	10,749
Trade payables to outside parties	1,230	2,018	290	279
Trade payables due to ultimate holding company (Note 5)	483	29	483	29
Non-trade payables due to a subsidiary (Note 5)	-	-	-	126
Other payables	127	189	25	64
Accrued employee benefits	1,020	91	164	59
Accrued operating expenses	400	779	217	179
	<u>15,235</u>	<u>13,855</u>	<u>13,154</u>	<u>11,485</u>
Current	3,260	3,106	1,179	736
Non-current	11,975	10,749	11,975	10,749
	<u>15,235</u>	<u>13,855</u>	<u>13,154</u>	<u>11,485</u>

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The average credit period on purchase of goods is 60 days (2016 : 60 days). No interest is charged on trade and other payables.

The non-current accrued interest payable to ultimate holding company comprises the interest on loan payable to the ultimate holding company which is due for repayment on December 31, 2020. The effective interest rate is 2.12% (2016 : 1.71%) per annum.

15 LOANS AND BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Loans from ultimate holding company	63,637	64,580	63,637	64,580

The loans from ultimate holding company were made on normal commercial terms and conditions and bear interest of LIBOR 3 months + 1% (2016 : LIBOR 3 months + 1%) per annum.

The loans from ultimate holding company is due for repayment on December 31, 2020. Interest on the loans shall be paid by reference to the outstanding principal sum being repaid, on the repayment date. No interest shall be paid or is payable until the repayment date.

The weighted average effective interest rates per annum relating to borrowings at the reporting dates for the Group and the Company are as follows:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Loans from ultimate holding company	2.12	1.71	2.12	1.71

Management estimates that the fair value of the Group's and the Company's borrowings approximate their carrying value.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes				December 31, 2017 US\$'000
	January 1, 2017 US\$'000	Fair value adjustments (i) US\$'000	Offsetting with trade receivables (ii) US\$'000	Other changes (iii) US\$'000	
Loan payable to ultimate holding company (Note 5)	64,580	-	(943)	-	63,637
Accrued interest payable to ultimate holding company (Note 5)	10,749	(23)	(189)	1,438	11,975
	75,329	(23)	(1,132)	1,438	75,612

- (i) The fair value adjustments pertains to the discounting of accrued interest payable to the ultimate holding company as it is due for repayment on December 31, 2020.
- (ii) A portion of the loan and accrued interest payable has been offset with the trade receivables due from the ultimate holding company arising from the profit sharing on sales of insulin (Note 5).
- (iii) Other changes include interest accruals for the year.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

16 SHARE CAPITAL

	Group and Company			
	2017 (‘000)	2016 (‘000)	2017 US\$‘000	2016 US\$‘000
Number of ordinary shares				
Issued and paid up:				
At beginning and end of year	552,270	552,270	42,530	42,530

The Company has one class of ordinary shares which carry one vote per share, has no par value and carries a right to dividend as and when declared by the Company.

17 TRANSLATION RESERVE

	Group		Company	
	2017 US\$‘000	2016 US\$‘000	2017 US\$‘000	2016 US\$‘000
Foreign currency translation reserve	(1,134)	(1,855)	-	-

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company, and the exchange differences on foreign currency loans to subsidiaries, which form part of the Group’s net investment in foreign operations.

18 REVENUE

	Group	
	2017 US\$‘000	2016 US\$‘000
Sales of goods	39,263	28,163
Profit sharing on sales of insulin (Note 5)	1,132	975
	40,395	29,138

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

19 OTHER OPERATING EXPENSES

	Group	
	2017	2016
	US\$'000	US\$'000
Advertising and promotional expenses	6,711	4,881
Professional and consultancy fees	463	384
Travel and entertainment expenses	492	367
Insurance premium	160	180
Rental expenses	343	276
Regulatory and clinical research expenses	127	103
Administrative and communication expenses	356	332
Statutory compliance fee	94	94
Storage and distribution expenses	780	689
	<u>9,526</u>	<u>7,306</u>

20 PROFIT FOR THE YEAR

Profit for year has been arrived at after charging (crediting):

	Group	
	2017	2016
	US\$'000	US\$'000
Allowance for doubtful debts	-	(17)
Operating lease expenses	343	286
Auditors' remuneration	94	94
Cost of inventories recognised as expense	21,554	13,706
Employee benefits expense:		
Contributions to defined contribution plans, included in staff costs	229	71
Salaries and other benefits	3,639	3,161
	<u>3,868</u>	<u>3,232</u>
Directors' remuneration:		
of the Company	563	279
of the subsidiaries	250	175
	<u>813</u>	<u>454</u>
Total employee benefits expense	<u>4,681</u>	<u>3,686</u>

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

21 FINANCE INCOME AND EXPENSE

	Group	
	2017	2016
	US\$'000	US\$'000
Interest income received/receivable from:		
- banks	31	9
Interest expense paid/payable to:		
- third party	-	(25)
- ultimate holding company (Note 5)	(1,414)	(841)
	(1,414)	(866)
Exchange gain (loss)	8	(48)
Finance expenses	(1,406)	(914)

22 INCOME TAX EXPENSE

	Group	
	2017	2016
	US\$'000	US\$'000
Tax expense comprises:		
Current tax expense	885	728
Deferred tax expense relating to the origination and reversal of temporary differences (Note 12)	136	208
Withholding tax on distributed profits of a subsidiary and interest on loans from ultimate holding company	69	168
Total tax expense	1,090	1,104

Domestic income tax calculated at 17% (2016 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2017	2016
	US\$'000	US\$'000
Profit before tax	2,853	3,160
Income tax expense calculated at 17% (2016 : 17%)	485	537
Effect of revenue that is exempt from taxation	(189)	(216)
Effect of expenses that are not deductible in determining taxable profit	373	273
Effect of different tax rates of subsidiaries operating in other jurisdictions	65	161
Effect of unused tax losses and other temporary differences not recognised as deferred tax assets	241	250
Withholding tax on distributed profits of a subsidiary and interest on loans from ultimate holding company	69	168
Others	46	(69)
Income tax expense recognised in profit or loss	1,090	1,104

SCIGEN LTD AND ITS SUBSIDIARIES

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Subject to agreement with Comptroller of Income tax and the tax authorities in the relevant tax jurisdictions in which the Group operates and conditions imposed by laws, the Group has tax losses carry-forwards and temporary differences available for offsetting against future taxable income as detailed in Note 12.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities of US\$781,000 (2016 : US\$510,600) have not been recognised is US\$7,810,000 (2016 : US\$5,106,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Group	
	2017	2016
	US\$'000	US\$'000
(i) Earnings for the purposes of basic and diluted earnings per share	1,763	2,056
	2017	2016
	Number of ordinary shares	
	'000	'000
(ii) Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	552,270	552,270

24 SEGMENT INFORMATION

Segment information is presented in respect of the Group's reportable segments. The reportable segment presentation is based on the Group's management and internal reporting structure, used for its strategic decision-making purposes. Intersegment pricing is determined on mutually agreed terms.

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

SCIGEN LTD AND ITS SUBSIDIARIES

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Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and expenses, corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, and intangible assets.

The Group's reportable segments are as follows:

Singapore

The home country of the parent entity which is also the main operating entity. The areas of operation are principally corporate office functions and sales and marketing.

Australia

Includes sales and marketing activities.

Korea

Includes sales and marketing activities.

Thailand

Includes sales and marketing activities.

Philippines

Includes sales and marketing activities.

China

Includes regulatory activities.

Others

Include operations carried on in Indonesia, Pakistan, Vietnam, Hong Kong, Myanmar, Malaysia and profit sharing income on sale of insulin. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

Major customers

Revenue from two (2016 : three) distributors based in Thailand and Philippines, represent approximately US\$5,887,000 (2016 : US\$5,078,000 from Thailand, Myanmar and Philippines) of the Group's total revenue.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
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Information regarding the Group's reportable segments:

	Singapore	Australia	Korea	Thailand	Bangladesh	Philippines	China	Others	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For year ended December 31, 2017										
Revenue										
Sales to external customers	5,498	9,331	16,096	4,476	1,101	1,413	-	2,480	-	40,395
Inter-segment sales	(5,410)	2,329	3,081	-	-	-	-	-	-	-
Total sales revenue	88	11,660	19,177	4,476	1,101	1,413	-	2,480	-	40,395
Results										
EBITDA *	16	(36)	4,889	233	99	(168)	(143)	1,427	(1,692)	4,625
Depreciation & amortisation	-	(34)	(9)	-	-	(4)	-	-	(350)	(397)
Interest income	-	3	27	-	-	-	1	-	-	31
Interest expense	-	45	6	-	-	-	(4)	-	(1,453)	(1,406)
Tax expense	(205)	-	(885)	-	-	-	-	-	-	(1,090)
Profit attributable to equity holders	(189)	(22)	4,028	233	99	(172)	(146)	1,427	(3,495)	1,763

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

	Singapore	Australia	Korea	Thailand	Bangladesh	Philippines	China	Others	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For year ended December 31, 2016										
Revenue										
Sales to external customers	5,937	4,802	11,166	4,028	-	1,042	-	2,163	-	29,138
Inter-segment sales	(5,796)	2,448	3,348	-	-	-	-	-	-	-
Total sales revenue	141	7,250	14,514	4,028	-	1,042	-	2,163	-	29,138
Results										
EBITDA *	3	372	4,254	248	-	(139)	(144)	1,222	(1,372)	4,444
Depreciation & amortisation	-	(32)	(2)	-	-	(4)	-	-	(341)	(379)
Interest income	-	5	4	-	-	-	-	-	-	9
Interest expense	-	(40)	177	-	-	-	5	-	(1,056)	(914)
Tax expense	-	(56)	(727)	-	-	-	-	-	(321)	(1,104)
Profit attributable to equity holders	3	249	3,706	248	-	(143)	(139)	1,222	(3,090)	2,056

* EBITDA - Earnings before interest, Taxation, Depreciation and Amortisation

SCIGEN LTD AND ITS SUBSIDIARIES

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

	Singapore	Australia	Korea	Thailand	Bangladesh	Philippines	China	Others	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at December 31, 2017										
Segment assets										
Other non-current assets	-	70	63	-	-	1	2	-	3,539	3,675
Deferred tax assets	-	-	-	-	-	-	-	-	6,011	6,011
Total current assets	31	3,662	10,284	638	-	646	175	272	751	16,459
	31	3,732	10,347	638	-	647	177	272	10,301	26,145
Segment liabilities										
Segment liabilities	-	(977)	(1,647)	-	-	-	(6)	-	(76,800)	(79,430)
For year ended December 31, 2017										
Other segment information										
Capital expenditure on plant and equipment and intangible assets	92	40	18	-	-	3	2	-	-	155
Material non-cash items										
Write-off of inventories	-	-	-	-	-	39	-	-	-	39
Write-off of intangible assets	-	-	-	-	-	10	-	-	-	10

SCIGEN LTD AND ITS SUBSIDIARIES

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

	Singapore	Australia	Korea	Thailand	Bangladesh	Philippines	China	Others	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at December 31, 2016										
Segment assets										
Other non-current assets	-	60	48	-	-	3	-	-	3,808	3,919
Deferred tax assets	-	-	-	-	-	-	-	-	6,147	6,147
Total current assets	22	3,876	6,756	726	-	381	140	258	1,073	13,232
	22	3,936	6,804	726	-	384	140	258	11,028	23,298
Segment liabilities										
Segment liabilities	-	(1,884)	(1,123)	-	-	(63)	(11)	(4)	(75,982)	(79,067)
For year ended December 31, 2016										
Other segment information										
Capital expenditure on plant and equipment and intangible assets	-	7	48	-	-	2	-	-	96	153
Material non-cash items										
Write-off of inventories	-	-	-	-	-	35	-	-	18	53
Write-off of intangible assets	-	17	-	-	-	-	-	-	-	17

* EBITDA - Earnings before interest, Taxation, Depreciation and Amortisation.

SCIGEN LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

25 COMMITMENTS

Commitments not reflected in the financial statements at the reporting date are as follows:

(a) Operating lease arrangements

The Group as lessee

	Group	
	2017	2016
	US\$'000	US\$'000
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	343	286

Operating lease payments represent rentals payable by the Group for a number of offices and a motor vehicle. The leases typically run for an initial period of 1 to 5 years with an option to renew the lease after that date. Lease payments are usually revised when the leases are renewed to reflect market rentals.

At the end of the reporting period, the Group and the Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	399	330	135	124
In the second to fifth year inclusive	575	622	69	188
	974	952	204	312

(b) Capital commitments

There were no capital commitments as at December 31, 2017 and December 31, 2016.

26 CONTINGENT LIABILITIES

During the year, the Company provided corporate financial guarantee up to Polish zloty 62,000,000 equivalent to US\$17,770,000 as at December 31, 2017 (2016 : US\$14,790,000) in favour of a bank in Poland as a secondary security for a term loan facility granted to its ultimate holding company.

Management has evaluated the fair value of the corporate guarantee and is of the view that the fair value of the benefits derived from the guarantee to the bank in Poland is minimal and hence it has not been recognised in the financial statements.

At the end of reporting period, the Company was not required to fulfil any corporate guarantee given to bank.

**SCIGEN LTD AND ITS SUBSIDIARIES
SHAREHOLDERS' INFORMATION**

Shareholders' information

The shareholders' information set out below was applicable as at February 28, 2018.

On-market buy-back

There is no current on-market buy-back.

Distribution of equity securities

Analysis of CUFS⁽¹⁾ holders:

		No. of CUFS	No. of CUFS holders
1	1,000	58,277	114
1,001	5,000	228,945	89
5,001	10,000	371,046	48
10,001	100,000	7,007,118	187
100,001 and over		44,578,427	58
		<u>52,243,813</u>	<u>496</u>

Number of holders holding less than a marketable parcel 335

Note:

(1) CUFS are CHESS Units of Foreign Securities relating to ordinary shares in the Company. The shares are held by CHESS Depository Nominees Pty Ltd on behalf of the persons entered in the CUFS register.

Analysis of shareholders:

		No. of Shares	No. of Shareholders
1	1,000	-	-
1,001	5,000	-	-
5,001	10,000	-	-
10,001	100,000	-	-
100,001 and over		552,270,320	2
		<u>552,270,320</u>	<u>2</u>

**SCIGEN LTD AND ITS SUBSIDIARIES
SHAREHOLDERS' INFORMATION**

Equity security holders

Major CUFS holders List - Top 20:

		CUFS	
		Number held	Percentage of issued CUFS
1.	Bioton S.A.	27,760,228	53.14%
2.	Dr. Sulatha Minoson + Mr. Christopher Robert Haima <Minoson Superfund A/C>	1,641,318	3.14%
3.	HSBC Custody Nominees (Australia) Limited	1,214,253	2.32%
4.	Mr. Bernard Staunton <The Staunton Super A/C>	1,129,943	2.16%
5.	Zanred Pty Ltd <Harnwell Super Fund A/C>	852,227	1.63%
6.	Dankab Pty Ltd <Dankab P/L Super Fund A/C>	839,000	1.61%
7.	Citicorp Nominees Pty Limited	655,410	1.25%
8.	Dr. Andrew Tan	597,455	1.14%
9.	Bedel & Sowa Corp Pty Ltd	500,000	0.96%
10.	R Mala Pty Ltd <Superfund A/C>	450,000	0.86%
11.	Truganini Pty Ltd	449,538	0.86%
12.	Mr. Raymond John Gaskell	408,500	0.78%
13.	Mr. Paul Anthony Ockelford	374,943	0.72%
14.	Mr. David Alexander Archibald	300,000	0.57%
15.	Mr. Ronald James Witney	285,000	0.55%
16.	Mr. Alexander James Garnock + Mrs. Catherine Mary Garnock <Garnocks Groundwork S/F A/C>	278,902	0.53%
17.	Navigator Australia Ltd <MLC Investment Sett A/C>	250,000	0.48%
18.	Tanner Lake Pty Ltd <Plattfuss Super Fund A/C>	238,000	0.46%
19.	Mr. Arthur Morris + Mrs. Raewyn Morris + Mr. Chris Hocquard <The Niloc A/C>	225,000	0.43%
20.	Mr. Mark Chapman	224,399	0.43%
		38,674,116	74.02%

Major Shareholders List:

		Shares	
		Number held	Percentage of issued shares
1.	Bioton S.A.	500,026,507	90.54%
2.	CHESS Depository Nominees Pty Ltd	52,243,813	9.46%
		552,270,320	100.00%

**SCIGEN LTD AND ITS SUBSIDIARIES
SHAREHOLDERS' INFORMATION**

Substantial shareholders

Substantial shareholder in the Company is set out below:

	Shares and CUFS	
	Number held	Percentage of issued shares
Bioton S.A.	527,786,735	95.57%

Voting rights

The voting rights attached to each class of equity securities are set out below:

(a) Voting shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.