



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

**INDEPENDENT AUDITORS' REVIEW REPORT  
AND CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2016**

## SCIGEN LTD AND ITS SUBSIDIARIES

### INDEPENDENT AUDITORS' REVIEW REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**Results for Announcement to the Market  
For the Period Ended June 30, 2016  
(Previous corresponding period: Six months ended June 30, 2015)**

**Revenue and Net Profit**

		<b>Percentage change</b>		<b>Amount</b>
		<b>%</b>		<b>US\$'000</b>
Revenue from ordinary activities	Up	10	To	13,419
Profit from ordinary activities after tax attributable to members	Up	53	To	1,568
Net profit for the period attributable to members	Up	53	To	1,568

**Revenue**

The Group posted revenue growth of 10% compared to corresponding period of preceding year, mainly attributable to sales of Thymosin alpha 1 in Korea. The improvement in revenue was notable as it was achieved despite the expiry of Omnitrope and Strataderm contracts which generated US\$1,150,000 worth of sales in first semester of 2015.

Sales of Thymosin alpha 1 expanded by a remarkable 141% this year following successful listing activities in major hospitals. Revenue was further augmented by sales of paediatric supplements and profit sharing income from our ultimate holding company, Bioton S.A. ("Bioton"), which improved by 55% and 40% respectively.

**Results**

Gross margin increased by 3% from preceding year to 56%, contributed by higher sales proportion of Thymosin alpha 1 which generates significant gross margin of 78%. Revenue from Thymosin alpha 1 represented 31% of total revenue for the current period compared to 14% in the corresponding period last year. Driven by higher revenue, gross margin improved by US\$1,176,000 whilst other operating expenses rose by US\$561,000 in the first semester of 2016.

Consequently, profit before finance expenses and income tax rose by 36% to US\$2,370,000. Profit after finance expenses and income tax amounted to US\$1,568,000 for the period ended 30 June 2016 as compared to US\$1,025,000 in the corresponding period last year.

For the period ended June 30, 2016, basic earnings per share of the Group amounted to US\$0.28 cents, an improvement from preceding year of US\$0.19 cents.

**Dividend**

The directors do not propose to pay dividends for the six-month period ended June 30, 2016. 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

The directors present their statement together with the condensed consolidated interim financial statements for the six month period ended June 30, 2016.

In the opinion of the directors, the consolidated interim financial statements of the Group set out on pages 7 to 28 are drawn up so as to give a true and fair view of the financial position of the Group as at June 30, 2016 and of the financial performance, changes in equity and cash flows of the Group for the six-month period 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 Group will be able to pay its debts as and when they fall due.

### DIRECTORS

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

Mr. Marek Dziki (Appointed on June 6, 2016)  
Mr. James Kim (Appointed on June 1, 2016)  
Mr. Adam Tomasz Polonek  
Ms. Jenny Low  
Mr. Mateusz Patryk Kosecki  
Mr. Kenneth Gross  
Mr. Marcin Dukaczewski

### REVIEW OF OPERATIONS

A summary of consolidated revenues and results for the six months by significant geographical segments is set out below:

	Segment Revenue		Segment Results	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	US\$'000		US\$'000	
<i>Continuing operations</i>				
Singapore	93	86	19	12
Australia	2,739	4,268	197	813
Korea	7,003	3,991	2,315	1,012
Thailand	1,970	2,164	119	123
Philippines	619	870	7	196
China	-	-	(55)	(64)
Others	995	787	626	506
Total for all segments	13,419	12,166	3,228	2,598
Unallocated revenue less unallocated expenses			(858)	(861)
<b>Profit before finance expense and income tax</b>			<b>2,370</b>	<b>1,737</b>
Finance income			89	4
Finance expense			(569)	(512)
<b>Profit before income tax</b>			<b>1,890</b>	<b>1,229</b>
Income tax expense			(322)	(204)
<b>Profit for the period</b>			<b>1,568</b>	<b>1,025</b>

## **SCIGEN LTD AND ITS SUBSIDIARIES**

### **DIRECTORS' STATEMENT**

Likely developments in the operations of the Group at the date of this statement are as follows:

- (a) The Group will continue to focus on business development activities to expand its product portfolio in Asia Pacific. Management is drawing synergy with business development teams in Poland and China to establish the range of product offering.
- (b) In addition to increasing its products, the Group seeks to venture into new territories within Asia for the distribution of products from Bioton group. The business development team is exploring business opportunities with local pharmaceutical partners for the expansion of our distribution network.

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

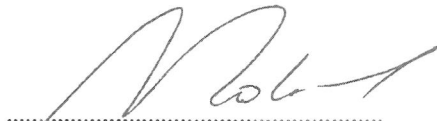
**SCIGEN LTD AND ITS SUBSIDIARIES**

**DIRECTORS' STATEMENT**

ON BEHALF OF BOARD OF DIRECTORS



.....  
James Kim  
Chief Executive Officer & Director



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

Singapore  
August 29, 2016

## SCIGEN LTD AND ITS SUBSIDIARIES

### INDEPENDENT AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Board of Directors  
SciGen Ltd  
152 Beach Road  
#26-07/08 Gateway East  
Singapore 189721

#### Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of SciGen Ltd (the "Company") and its subsidiaries (the "Group") which comprise the condensed consolidated interim statement of financial position of the Group as at June 30, 2016, and the related condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period ended June 30, 2016 and a summary of significant accounting policies and other explanatory information as set out on pages 7 to 28.

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial statements in accordance with Singapore Financial Reporting Standard ("FRS") 34 *Interim Financial Reporting* ("FRS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## SCIGEN LTD AND ITS SUBSIDIARIES

### INDEPENDENT AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements does not present fairly, in all material respects, in accordance with FRS 34.

#### Limitation of Use

This report has been prepared for the purpose of filing the condensed consolidated interim financial statements to the Australian Securities Exchange ("ASX"). This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Public Accountants and  
Chartered Accountants  
Singapore

August 29, 2016



**SCIGEN LTD AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at June 30, 2016**

	<u>Note</u>	June 30, 2016 US\$'000 <b>(Unaudited)</b>	December 31, 2015 US\$'000 <b>(Audited)</b>
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		3,636	3,579
Trade and other receivables	7	16,507	15,344
Income tax receivable		121	119
Inventories		<u>2,738</u>	<u>2,257</u>
Total current assets		<u>23,002</u>	<u>21,299</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	83	98
Intangible assets	9	3,910	4,064
Deferred tax assets		<u>6,288</u>	<u>6,355</u>
Total non-current assets		<u>10,281</u>	<u>10,517</u>
<b>Total assets</b>		<u>33,283</u>	<u>31,816</u>
<b><u>LIABILITIES AND CAPITAL DEFICIENCY</u></b>			
<b>Current liabilities</b>			
Trade and other payables		2,002	2,347
Income tax payable		<u>197</u>	<u>315</u>
Total current liabilities		<u>2,199</u>	<u>2,662</u>
<b>Non-current liabilities</b>			
Other payables	10	12,558	12,014
Loans and borrowings	11	<u>74,527</u>	<u>74,527</u>
Total non-current liabilities		<u>87,085</u>	<u>86,541</u>
<b>Capital, reserves and accumulated losses</b>			
Share capital		42,530	42,530
Translation reserves		(1,599)	(1,417)
Accumulated losses		<u>(96,932)</u>	<u>(98,500)</u>
Net capital deficiency		<u>(56,001)</u>	<u>(57,387)</u>
<b>Total liabilities, net of capital deficiency</b>		<u>33,283</u>	<u>31,816</u>

See accompanying notes to condensed consolidated interim financial statements.

**SCIGEN LTD AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the six-month period ended June 30, 2016**

	<u>Note</u>	Six months ended June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
<b>Continuing operations</b>			
Revenue	12	13,419	12,166
Other income		22	19
Changes in inventories of finished goods		644	(122)
Purchases		(6,485)	(5,642)
Employees' benefits expense	14	(1,814)	(1,777)
Depreciation of property, plant and equipment		(21)	(25)
Amortisation of intangible assets		(168)	(216)
Other operating expenses	13	<u>(3,227)</u>	<u>(2,666)</u>
<b>Profit before finance expense and income tax</b>		2,370	1,737
Finance income	15	89	4
Finance expense	15	<u>(569)</u>	<u>(512)</u>
<b>Profit before income tax</b>	14	1,890	1,229
Income tax expense		<u>(322)</u>	<u>(204)</u>
<b>Profit for the period</b>		1,568	1,025
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations, representing other comprehensive loss for the period		<u>(182)</u>	<u>(101)</u>
<b>Total comprehensive income for the period</b>		<u>1,386</u>	<u>924</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<u>1,568</u>	<u>1,025</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<u>1,386</u>	<u>924</u>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	16	<u>0.28</u>	<u>0.19</u>

See accompanying notes to condensed consolidated interim financial statements.

**SCIGEN LTD AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

**For the six-month period ended June 30, 2016**

<b>(Unaudited)</b>	<u>Share capital</u> US\$'000	<u>Translation reserves</u> US\$'000	<u>Accumulated losses</u> US\$'000	<u>Attributable to owners of the Company</u> US\$'000
At January 1, 2015	42,530	(1,341)	(99,768)	(58,579)
Total comprehensive income for the period	<u>-</u>	<u>(101)</u>	<u>1,025</u>	<u>924</u>
At June 30, 2015	<u>42,530</u>	<u>(1,442)</u>	<u>(98,743)</u>	<u>(57,655)</u>
At January 1, 2016	42,530	(1,417)	(98,500)	(57,387)
Total comprehensive income for the period	<u>-</u>	<u>(182)</u>	<u>1,568</u>	<u>1,386</u>
At June 30, 2016	<u>42,530</u>	<u>(1,599)</u>	<u>(96,932)</u>	<u>(56,001)</u>

See accompanying notes to condensed consolidated interim financial statements.

**SCIGEN LTD AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

**For the six-month period ended June 30, 2016**

	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
<b>Operating activities</b>		
Profit before income tax	1,890	1,229
Adjustments for:		
Depreciation of property, plant and equipment	21	25
Amortisation of intangible assets	168	216
Inventories written-off	3	3
Interest income	(4)	(4)
Interest expense	569	474
Net foreign exchange (gain) loss	<u>(85)</u>	<u>38</u>
Operating cash flow before movement in working capital	2,562	1,981
Inventories	(484)	(299)
Trade and other receivables	(1,163)	13
Trade and other payables	(400)	(1,209)
Income taxes paid	<u>(356)</u>	<u>(409)</u>
Net cash flows from operating activities	<u>159</u>	<u>77</u>
<b>Investing activities</b>		
Interest received	4	4
Purchase of property, plant and equipment	(5)	(6)
Purchase of intangible assets (Note A)	<u>(12)</u>	<u>(6)</u>
Net cash flows used in investing activities	<u>(13)</u>	<u>(8)</u>
<b>Financing activities</b>		
Interest paid	<u>(25)</u>	<u>(1)</u>
Net cash flows used in financing activities	<u>(25)</u>	<u>(1)</u>
Net increase in cash and cash equivalents	121	68
Cash and cash equivalents at beginning of the period	3,579	2,759
Effect of exchange rate fluctuations on cash held	<u>(64)</u>	<u>69</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>3,636</u></u>	<u><u>2,896</u></u>

Note A:

During the period, the Group acquired intangible assets with a cost of US\$13,000 (June 30, 2015 : US\$6,000) of which US\$1,000 (June 30, 2015 : Nil) remained unpaid at the end of the reporting period.

See accompanying notes to condensed consolidated interim financial statements.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 1 GENERAL

SciGen Ltd (the “Company”) with Registration Number 199805796R is incorporated in the Republic of Singapore and is a public limited company listed on Australian Stock Exchange.

The principal place of business and registered office is located at 152 Beach Road, #26-07/08 Gateway East, Singapore 189721. The condensed consolidated interim financial statements are presented in United States dollars, which is the Company’s functional currency and rounded to the nearest thousand, unless stated otherwise.

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

For the period ended June 30, 2016, the Group had a net profit of US\$1,568,000 (June 30, 2015 : US\$1,025,000). As at June 30, 2016, the Group’s current assets exceeded current liabilities by US\$20,803,000 (December 31, 2015 : US\$18,637,000) and had net capital deficiency of US\$56,001,000 (December 31, 2015 : US\$57,387,000).

Management of the Company consider that it is appropriate for the Group to prepare its condensed consolidated interim financial statements on a going concern basis as the Group has received an undertaking from the ultimate holding company to continue to provide the Group with financial and other support as necessary for the next twelve months to enable the Group to continue as a going concern and to support their operating and investing activities for at least another twelve months from the date of the condensed consolidated interim financial statements for the six-month period ended in June 2016.

Loans granted to the Company of US\$74,527,000 by the ultimate holding company together with the interest payable of US\$12,558,000 are due for repayment on December 31, 2017. Proceeds from disposal of manufacturing facility design package to ultimate holding company amounting to US\$11,280,000 will be utilised for partial redemption of the loan in second semester of 2016. Management is confident that the repayment period of the balance of the loan and interest payable will be extended before the end of the financial year 2016.

The condensed consolidated interim financial statements of the Group for the six-month period ended June 30, 2016 were authorised for issue by the Board of Directors on August 29, 2016.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2016

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies and methods of computation that were applied in the audited financial statements of the Group for the year ended December 31, 2015.

On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and relevant to its operations. The adoption of these new/revised FRSs and INT FRSs did not result in any substantial changes to the Group’s accounting policies and has no material effect on the amounts reported for the current and prior periods.

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

- FRS 109 *Financial Instruments* <sup>(1)</sup>
- FRS 115 *Revenue from Contracts with Customers* <sup>(1)</sup>
- FRS 116 *Leases* <sup>(2)</sup>
- Amendments to FRS 115 *from Clarifications to FRS 115 Revenue from Contracts with Customer* <sup>(1)</sup>
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* <sup>(3)</sup>
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Loss* <sup>(4)</sup>

(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 early application permitted if FRS 115 is adopted.

(3) Applies prospectively to annual periods beginning on or after January 1, 2017, with early application permitted.

(4) Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

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

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 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 (iii) impairment requirements for financial assets.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2016

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 through profit or loss (FVTPL). Specifically, debt investments 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 investments and equity investments are measured at 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.

FRS 109 will take effect for companies with financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

The Group is currently evaluating the potential impact of FRS 109 on the financial statements of the Group in the period of initial adoption.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 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.

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 a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018, with early application permitted.

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transaction reliefs on contract modifications and completed contracts.

The Group is currently evaluating the potential impact of FRS 115 on the financial statements of the Group in the period of initial adoption.



## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 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.

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.

The Group is currently evaluating the impact of FRS 116 on the financial statements of the Group in the period of initial adoption.

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

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

The Group is currently evaluating the potential impact of amendments to FRS 7 on the financial statements of the Group in the period of initial adoption.

##### Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The Group is currently evaluating the potential impact of amendments to FRS 12 on the financial statements of the Group in the period of initial adoption.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 3 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Bioton S.A., incorporated in Poland. Related companies refer to members of the ultimate holding company's Group of companies.

Transactions between subsidiaries have been eliminated on consolidation.

The following transactions took place between the Group and related companies during the period:

	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
<u>Ultimate holding company</u>		
Purchases of goods	1,914	2,091
Profit sharing on sales of insulin (Note 12)	(522)	(372)
Interest accrued for loan from ultimate holding company (Note 15)	<u>544</u>	<u>473</u>

#### 4 OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these condensed consolidated interim financial statements.

##### *Compensation of directors and key management personnel*

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

	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
Income paid or payable, or otherwise made available, to directors of the entities in the Group and the Company (Note 14)	<u>218</u>	<u>249</u>

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 5 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 judgments, 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 is 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.

#### *Critical judgements in applying the Group's accounting policies*

Management did not make judgements 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

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

Impairment loss is recognised when events and circumstances indicate that the Group'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.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

The management has estimated the recoverable amount of the licences for SciLin<sup>®</sup>. with carrying amount of US\$3,454,000 (December 31, 2015 : US\$3,562,000). 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. The Company signed two (2015 : two) profit sharing agreements with its ultimate holding company, whereby the Company will receive a share of the revenues from the use of the SciLin<sup>®</sup> licence in the countries wherein the Group has the licence and rights to distribute the product. The Company expects profit from its ultimate holding company for contracts with annual sale for the next nine years (2015 : ten years) with projected fee for the use of SciLin<sup>®</sup> licence and development cost which confirms the non-impairment of the licences and related development costs for SciLin<sup>®</sup>.

The details of the Group's intangible assets are disclosed in Note 9 to the financial statements.

#### (b) Assessment of recoverability of debts

The assessment of the recoverability of debts of the Group is based on the on-going evaluation of collectability and ageing analysis of outstanding debts and on management's estimate of the ultimate realisation of these debts, including credit worthiness and the past collection history of each debtor. Management has evaluated the recovery of these debts based on each estimate and is confident that the allowance for doubtful debts, where necessary is adequate.

#### (c) Deferred tax assets valuation

The carrying amount of deferred tax assets amounts to US\$6,288,000 (December 31, 2015 : US\$6,355,000). The deferred tax assets are recognised for unused tax losses and some temporary tax differences to the extent that it is probable that taxable profit will be available against which the 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. The Group expects profits from the ultimate holding company for contracts for the use of SciLin<sup>®</sup> licence and development costs which in the view of the management supports the recognition of deferred tax assets as appropriate.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

##### (d) Allowance for inventories

Management reviews the inventory age listing on a periodic basis to identify aged inventory. This review involves comparison of the carrying amount of the inventory items with the respective net realisable values. The purpose is to ascertain whether an allowance is required to be made in the condensed consolidated interim financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodic basis in order to determine whether an allowance is required to be made in respect of any obsolete and defective inventories identified. Management is satisfied that adequate allowance for obsolete and slow-moving inventories has been made in the condensed consolidated interim financial statements.

#### 6 SEASONAL OPERATIONS

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

#### 7 TRADE AND OTHER RECEIVABLES

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

Included in other receivables is amount due from ultimate holding company for sale proceeds on disposal of manufacturing facility design package amounting to US\$11,280,000 (December 31, 2015 : US\$11,280,000).

## **SCIGEN LTD AND ITS SUBSIDIARIES**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016**

#### **8 PROPERTY, PLANT AND EQUIPMENT**

During the six-month period ended June 30, 2016, the Group acquired property, plant and equipment at cost of approximately US\$5,000 (December 31, 2015 : US\$18,000).

Carrying amount of property, plant and equipment written-off during the six-month period ended June 30, 2016 amounted to US\$143 (December 31, 2015 : Carrying amount of property, plant and equipment written-off was nil).

There was no disposal of property, plant and equipment during the six month period ended June 30, 2016 (December 31, 2015 : Fully depreciated property, plant and equipment was disposed for proceeds of US\$17).

#### **9 INTANGIBLE ASSETS**

During the six-month period ended June 30, 2016, additions to intangible assets amounted to US\$13,000 (December 31, 2015 : US\$30,000).

There was no write-off of intangible assets during the six-month period ended June 30, 2016 (December 31, 2015 : Carrying amount of intangible assets written-off was nil).

#### **10 OTHER PAYABLES**

The non-current other payables comprises the loan interest payable to ultimate holding company which is due for repayment on December 31, 2017. The effective interest rate is 1.64% per annum (December 31, 2015 : 1.30% per annum). Interests on the loan shall be paid by reference to the outstanding principal sum being repaid, on the repayment date.

#### **11 LOANS AND BORROWINGS**

The loans from ultimate holding company were made on normal commercial terms and conditions and bear interest of London Interbank Offered Rate (“LIBOR”) 3 months + 1% (December 31, 2015 : LIBOR 3 months + 1%) per annum. The loans and interest payable are due for repayment on December 31, 2017.

**SCIGEN LTD AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2016**

12	REVENUE	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
	Sales of goods	12,897	11,794
	Profit sharing income on sales of insulin (Note 3)	<u>522</u>	<u>372</u>
		<u>13,419</u>	<u>12,166</u>
13	OTHER OPERATING EXPENSES	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
	Advertising and promotional expenses	2,102	1,563
	Professional and consultancy fees	198	144
	Travel and entertainment expenses	152	158
	Insurance premium	75	69
	Rental expenses	131	141
	Regulatory and clinical research expenses	23	26
	Administrative and communication expenses	210	205
	Storage and distribution expenses	333	357
	Others	<u>3</u>	<u>3</u>
		<u>3,227</u>	<u>2,666</u>

**SCIGEN LTD AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2016**

14	PROFIT BEFORE INCOME TAX	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
	Profit before income tax is stated after (charging)/crediting the following:		
	Operating lease expenses (Note 18)	(136)	(141)
	Auditors' remuneration	(27)	(27)
	Cost of inventories recognised as expense	<u>(5,841)</u>	<u>(5,764)</u>
	Employees' benefits expense :		
	contributions to defined contribution plans, included in staff costs	(96)	(97)
	salaries and other benefits	<u>(1,500)</u>	<u>(1,431)</u>
		<u>(1,596)</u>	<u>(1,528)</u>
	Directors' remuneration (Note 4):		
	of the Company	(141)	(147)
	of the subsidiaries	<u>(77)</u>	<u>(102)</u>
		<u>(218)</u>	<u>(249)</u>
	Total employees' benefits expense	<u>(1,814)</u>	<u>(1,777)</u>
15	FINANCE INCOME AND EXPENSE	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
	<u>Finance income:</u>		
	Interest received from banks	4	4
	Unrealised exchange gain	<u>85</u>	<u>-</u>
	Finance income	<u>89</u>	<u>4</u>
	<u>Finance expense:</u>		
	Interest expense paid to banks/others	(25)	(1)
	Interest expense payable to ultimate holding company (Note 3)	<u>(544)</u>	<u>(473)</u>
		<u>(569)</u>	<u>(474)</u>
	Unrealised exchange loss	<u>-</u>	<u>(38)</u>
	Finance expense	<u>(569)</u>	<u>(512)</u>



## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 16 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:

	<u>June 30,</u> <u>2016</u> US\$'000 <b>(Unaudited)</b>	<u>June 30,</u> <u>2015</u> US\$'000 <b>(Unaudited)</b>
(i) Profit for the purposes of basic and diluted earnings per share	<u>1,568</u>	<u>1,025</u>
	<u>June 30,</u> <u>2016</u> '000	<u>June 30,</u> <u>2015</u> '000
(ii) Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>552,270</u>	<u>552,270</u>

## **SCIGEN LTD AND ITS SUBSIDIARIES**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016**

#### 17 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.

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 assets of corporate head office in Singapore and its related liabilities, loan due to ultimate holding company, head office expenses and finance costs.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 17 SEGMENT INFORMATION (cont'd)

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**

Comprises 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 for the six-month periods ended June 30, 2016 or June 30, 2015.

##### **Major customers**

Revenue from two distributors, namely from Thailand and Philippines, represent approximately US\$2,589,000 (June 30, 2015 : US\$3,034,000 from Thailand and Philippines) of the Group's total revenue.

**SCIGEN LTD AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**June 30, 2016**

17 SEGMENT INFORMATION (cont'd)

	Singapore US\$'000 (Unaudited)	Australia US\$'000 (Unaudited)	Korea US\$'000 (Unaudited)	Thailand US\$'000 (Unaudited)	Philippines US\$'000 (Unaudited)	China US\$'000 (Unaudited)	Others US\$'000 (Unaudited)	Unallocated US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b><u>For the six-month period ended</u></b>									
<b><u>June 30, 2016</u></b>									
<b>Revenue</b>									
Sales to external customers	3,757	1,116	4,962	1,970	619	-	995	-	<b>13,419</b>
Inter-segment sales	(3,664)	1,623	2,041	-	-	-	-	-	-
Total sales revenue	<u>93</u>	<u>2,739</u>	<u>7,003</u>	<u>1,970</u>	<u>619</u>	<u>-</u>	<u>995</u>	<u>-</u>	<b><u>13,419</u></b>
<b>Results</b>									
Profit before interest and tax	19	197	2,315	119	7	(55)	626	(858)	<b>2,370</b>
Finance expense	-	-	-	-	-	-	-	(569)	<b>(569)</b>
Finance income	-	31	150	-	-	2	-	(94)	<b>89</b>
Income tax expense	-	(56)	(196)	-	-	-	-	(70)	<b>(322)</b>
Profit (loss) for the period	<u>19</u>	<u>172</u>	<u>2,269</u>	<u>119</u>	<u>7</u>	<u>(53)</u>	<u>626</u>	<u>(1,591)</u>	<b><u>1,568</u></b>
<b>Other segment information</b>									
Depreciation and amortisation	-	18	-	-	2	-	-	169	<b>189</b>
Additions to intangible assets and property, plant and equipment	-	-	3	-	2	-	-	13	<b>18</b>
<b><u>As at June 30, 2016</u></b>									
<b>Segment Assets</b>									
Total non-current assets (excluding deferred tax assets)	-	87	4	-	1	1	-	3,900	<b>3,993</b>
Deferred tax assets	-	-	-	-	-	-	-	6,288	<b>6,288</b>
Total current assets	<u>51</u>	<u>2,664</u>	<u>6,024</u>	<u>672</u>	<u>595</u>	<u>66</u>	<u>96</u>	<u>12,834</u>	<b><u>23,002</u></b>
Segment assets	<u>51</u>	<u>2,751</u>	<u>6,028</u>	<u>672</u>	<u>596</u>	<u>67</u>	<u>96</u>	<u>23,022</u>	<b><u>33,283</u></b>
<b>Segment liabilities</b>									
	-	(248)	(781)	-	(50)	(3)	(3)	(88,199)	<b>(89,284)</b>

**SCIGEN LTD AND ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**June 30, 2016**

17 SEGMENT INFORMATION (cont'd)

	<u>Singapore</u> US\$'000 (Unaudited)	<u>Australia</u> US\$'000 (Unaudited)	<u>Korea</u> US\$'000 (Unaudited)	<u>Thailand</u> US\$'000 (Unaudited)	<u>Philippines</u> US\$'000 (Unaudited)	<u>China</u> US\$'000 (Unaudited)	<u>Others</u> US\$'000 (Unaudited)	<u>Unallocated</u> US\$'000 (Unaudited)	<u>Total</u> US\$'000 (Unaudited)
<b><u>For the six-month period ended</u></b>									
<b><u>June 30, 2015</u></b>									
<b>Revenue</b>									
Sales to external customers	2,084	3,436	2,825	2,164	870	-	787	-	<b>12,166</b>
Inter-segment sales	(1,998)	832	1,166	-	-	-	-	-	-
Total sales revenue	<u>86</u>	<u>4,268</u>	<u>3,991</u>	<u>2,164</u>	<u>870</u>	<u>-</u>	<u>787</u>	<u>-</u>	<b><u>12,166</u></b>
<b>Results</b>									
Profit before interest and tax	12	813	1,012	123	196	(64)	506	(861)	<b>1,737</b>
Finance expense	-	(84)	(7)	-	(1)	-	-	(420)	<b>(512)</b>
Finance income	-	3	-	-	-	1	-	-	<b>4</b>
Income tax expense	-	(67)	(137)	-	-	-	-	-	<b>(204)</b>
Profit (loss) for the period	<u>12</u>	<u>665</u>	<u>868</u>	<u>123</u>	<u>195</u>	<u>(63)</u>	<u>506</u>	<u>(1,281)</u>	<b><u>1,025</u></b>
<b>Other segment information</b>									
Depreciation and amortisation	-	21	-	-	1	-	-	219	<b>241</b>
Additions to intangible assets and property, plant and equipment	-	5	-	-	1	-	-	6	<b>12</b>
<b><u>As at Dec 31, 2015</u></b>									
<b>Segment Assets</b>									
Total non-current assets (excluding deferred tax assets)	-	102	1	-	2	1	-	4,056	<b>4,162</b>
Deferred tax assets	-	55	-	-	-	-	-	6,300	<b>6,355</b>
Total current assets	40	2,721	4,682	788	581	45	158	12,284	<b>21,299</b>
Segment assets	<u>40</u>	<u>2,878</u>	<u>4,683</u>	<u>788</u>	<u>583</u>	<u>46</u>	<u>158</u>	<u>22,640</u>	<b><u>31,816</u></b>
<b>Segment liabilities</b>									
	-	(365)	(811)	-	(91)	(3)	(4)	(87,929)	<b>(89,203)</b>

## SCIGEN LTD AND ITS SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS June 30, 2016

#### 18 COMMITMENTS

Commitments not reflected in the unaudited condensed consolidated interim financial statements at the reporting dates are as follows:

##### (a) Operating lease commitments

###### The Group as lessee

	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	June 30, <u>2015</u> US\$'000 <b>(Unaudited)</b>
Minimum lease payments under operating leases recognised as an expense during the period (Note 14)	<u>136</u>	<u>141</u>

The Group leases a number of offices under operating leases. The leases typically run for an initial period of 1 to 3 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.

As at June 30, 2016, the Group has commitments for future minimum lease payments under non-cancellable operating leases are as follows:

	June 30, <u>2016</u> US\$'000 <b>(Unaudited)</b>	December 31, <u>2015</u> US\$'000 <b>(Audited)</b>
Within 1 year	167	177
After 1 year but within 5 years	<u>298</u>	<u>56</u>
	<u>465</u>	<u>233</u>

##### (b) Capital commitments

There were no capital commitments as at June 30, 2016 and December 31, 2015.

#### 19 CONTINGENT LIABILITIES

During the period, the Company executed a deed of guarantee in favour of a bank in Poland as secondary security for a term loan facility of Polish zloty 62,000,000 (equivalent to US\$15,500,000 as at June 30, 2016) which was made available to its ultimate holding company, Bioton S.A.

## SCIGEN LTD AND ITS SUBSIDIARIES

### SUPPLEMENTARY APPENDIX 4D INFORMATION

June 30, 2016

#### Net Tangible Liabilities backing

	June 30, 2016 <u>(cents)</u>	December 31, 2015 <u>(cents)</u>
Net tangible liabilities backing per ordinary share	<u>11.986</u>	<u>12.278</u>

#### Controlled entities acquired or disposed of

<b>Acquired</b>	
Date control gained	N/A
Contribution to profit from ordinary activities after tax in current period, where material	N/A
Profit from ordinary activities after tax during the whole of the previous corresponding period, where material	N/A

<b>Disposed of</b>	
Date control lost	N/A
Contribution to profit from ordinary activities after tax in current period, where material	N/A
Loss from ordinary activities after tax during the whole of the previous corresponding period, where material	N/A

#### Additional dividend/distributions information

There are no dividends or distributions declared or paid during or subsequent to the six-month period ended June 30, 2016.

#### Dividend/distribution reinvestment plans

There are no dividends or distribution reinvestment plans during or subsequent to the six-month period ended June 30, 2016.

#### Associates and Joint Venture entities

There are no investments in associates or joint venture entities as at June 30, 2016 or subsequent to the six-month period ended June 30, 2016.

#### Foreign Accounting Standards

This six-month period ended report for the interim reporting period ended June 30, 2016 has been prepared in accordance with Singapore Financial Reporting Standards 34 *Interim Financial Reporting*.