UG HEALTHCARE CORPORATION

(Incorporated in Singapore with Unique Entity No.: 201424579Z)
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SGX stock code: 8K7

# PROPOSED ACQUISITION OF 40.0% OF THE TOTAL CORPORATE CAPITAL OF UGHC BRASIL IMPORTADORA LTDA

## 1. INTRODUCTION

The Board of Directors (the "**Board**" or the "**Directors**") of UG Healthcare Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that Unigloves (Singapore) Pte Ltd, a wholly-owned subsidiary of the Company ("**Unigloves Singapore**"), has on 31 May 2023, entered into a sale and purchase agreement (the "**SPA**") with Mr. Fabricio Stevan (the "**Vendor**", together with Unigloves Singapore, the "**SPA Parties**").

The SPA is in relation to the proposed acquisition by Unigloves Singapore of 40,000 quotas, representing 40.0% of the total corporate capital of UGHC Brasil Importadora LTDA ("**UGHC Brasil**") (the "**Sale Quotas**") from the Vendor for an aggregate consideration of R$38,136,153.65, equivalent to approximately S$10,539,587.61 (the "**Purchase Consideration**"), which shall be satisfied by way of offsetting against trade receivables owed to UGHC Brasil by a non-related company which is wholly-owned by the Vendor (the "**Proposed Acquisition**").

Subsequent to the completion of the Proposed Acquisition, the Company's shareholdings in UGHC Brasil (held through Unigloves Singapore) will increase from 50.0% to 90.0% and UGHC Brasil will continue to be a subsidiary of the Company.

The Proposed Acquisition constitutes a "major transaction" under Chapter 10 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"). Please refer to paragraph 2.6 (*Relative Figures under Catalist Rule 1006*) below for further details on the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules.

The Company intends to seek shareholders' approval at an extraordinary general meeting (the "**EGM**") to be convened for the Proposed Acquisition.

## 2. THE PROPOSED ACQUISITION

### 2.1. Information on UGHC Brasil

UGHC Brasil was acquired by the Company, through Unigloves Singapore in 2018 to expand its market presence in Brazil with its local Brazilian distribution partner. Over time, the Group has built up its own sales and marketing team as well as its own warehousing and logistics infrastructure to support the local downstream distribution network in Brazil.

UGHC Brasil distributes and supplies gloves under the **UNI**GLOVES® brand to customers in Brazil. The market demand for **UNI**GLOVES® range of products in Brazil will in turn drive the production volume at the Company's upstream manufacturing facilities in Malaysia, allowing the Group to manage the entire value chain seamlessly and efficiently.

As at the date of this announcement, UGHC Brasil has an issued and paid-up corporate capital of R$100,000 comprising of 100,000 quotas, which are distributed as follows:

| Name of partner | Number of quotas held in UGHC Brasil | Proportion of quotas held in UGHC Brasil |
|---|---|---|
| Unigloves Singapore | 50,000 | 50.0% |
| Vendor | 50,000 | 50.0% |
| **Total** | **100,000** | **100.0%** |

As the Company is in control of UGHC Brasil's operations and management (including policies and decision making), UGHC Brasil is considered a subsidiary of the Company for accounting purpose and its financials have been consolidated into the Group's financial results since the financial year ended 30 June 2018.

**2.2. Information on the Vendor**

As disclosed in paragraph 2.1 (*Information on UGHC Brasil*) above, the Vendor is the Group's business partner in Brazil. As at the date of this announcement, the Vendor (a) does not have any existing interest (whether direct or deemed) in the shares of the Company (the "**Shares**"); and (b) is not related to any of the Directors, substantial shareholders of the Company, or their respective associates.

Save as disclosed in this paragraph 2.2, there are no other connections (including business relationships) between the Vendor and the Directors, the substantial shareholders of the Company or their respective associates.

**2.3. Rationale for the Proposed Acquisition**

Since 2018, UGHC Brasil has proven to be pivotal to the Group's downstream distribution network in Brazil and made steady contributions to the Group's topline revenue. With the disequilibrium in the demand and supply and average selling price of disposable examination gloves normalising post-pandemic, the Company's management is of the view that it is an opportune time for the Group to undertake the Proposed Acquisition which will increase its shareholding interest in UGHC Brasil, thereby consolidating control and allowing for greater participation in anticipated profits as well as value appreciation of UGHC Brasil.

Furthermore, the Company views Brazil as a key and important market with huge potential, due to its large population of over 200 million people and low penetration of gloves usage relative to developed markets. Since its inception, UGHC Brasil has established itself as one of the top three (3) importers of gloves in Brazil under its brand UNIGLOVES®, being a recognisable gloves brand in Brazil.

**2.4. Principal Terms of the Proposed Acquisition**

2.4.1. Overview

The Vendor shall sell and transfer the Sale Quotas to Unigloves Singapore, and Unigloves Singapore shall purchase and receive from the Vendor the Sale Quotas, representing 40.0% of the total corporate capital of UGHC Brasil, free and clear of any liens or encumbrances, on the terms and conditions of the SPA.

Subsequent to the completion of the Proposed Acquisition, UGHC Brasil's capital stock will be distributed among its partners as follows:

| Name of partner | Number of quotas held in UGHC Brasil | Proportion of quotas held in UGHC Brasil |
|---|---|---|
| Unigloves Singapore | 90,000 | 90.0% |
| Vendor | 10,000 | 10.0% |
| **Total** | **100,000** | **100.0%** |

2.4.2. Purchase Consideration

The Purchase Consideration for the Sale Quotas is the amount equivalent to approximately S$10,539,587.61, which shall be satisfied by way of offsetting against trade receivables owed to UGHC Brasil by a non-related company which is wholly-owned by the Vendor.

The Purchase Consideration was arrived at after arm's length negotiations between the Company and the Vendor and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the following factors:

(a) the net asset value of UGHC Brasil as at 31 December 2022 amounting to S$1.4 million;

(b) the enterprise value to earnings before interest and taxes multiple based on the order book of UGHC Brasil as at 30 April 2023: and

(c) the Brazilian gloves market's growth prospect, glove industry performance and UGHC Brasil's competitive position, as highlighted in paragraph 2.3 (*Rationale for the Proposed Acquisition*) above.

The Purchase Consideration was structured to (i) reduce the impact of foreign exchange fluctuations to UGHC Brasil; and (ii) to allow the Group to conserve cash resources in view of its recent diversification plans and the broader economic outlook.

No valuation of UGHC Brasil or the Sale Quotas will be commissioned by the Company, given that UGHC Brasil is an existing subsidiary of the Company.

2.4.3. Source of Funds

As the Purchase Consideration is to be satisfied by way of offsetting against trade receivables owed to UGHC Brasil by a non-related company which is wholly-owned by the Vendor, no cash consideration shall be payable by the Group.

2.4.4. Conditions Precedent

The obligation of the SPA Parties to consume and complete the SPA, shall be subject to, *inter alia*, the fulfillment of the following conditions, unless waived in writing by the relevant SPA Party (the "**Conditions Precedent**"):

*Unigloves Singapore's Conditions Precedent*

(a) (i) The representations and warranties of the Vendor made in the SPA shall be true and correct in all material respects; and (ii) the Vendor shall have performed and complied with all terms, agreements and covenants contained in the SPA required to be performed or complied with on or before the date of closing of the Proposed Acquisition (the "**Closing Date**").

(b) As of the date of execution of the SPA to the Closing Date, no Material Adverse Effect[1] shall have occurred, and UGHC Brasil shall have conducted its activities and operations in the ordinary course of business until the Closing Date.

(c) Unigloves Singapore will need to obtain the necessary corporate approval from its board members to confirm the completion of the transaction, without which the Proposed Acquisition will not be carried out.

(d) Unigloves Singapore will need to obtain the necessary approval from its shareholders to confirm the completion of the transaction, without which the Proposed Acquisition will not be carried out

*The Vendor's Conditions Precedent*

(e) (i) The representations and warranties of Unigloves Singapore made in the SPA shall be true and correct in all material respects; and (ii) Unigloves Singapore shall have performed and complied with all terms, agreements and covenants contained in the SPA required to be performed or complied with on or before the Closing Date.

(f) As of the date of execution of the SPA to the Closing Date, no Material Adverse Effect shall have occurred, and UGHC Brasil shall have conducted its activities and operations in the ordinary course of business until the Closing Date.

2.4.5. Termination

The SPA may be terminated prior to the closing of the Proposed Acquisition as follows:

(a) by the written agreement of the SPA Parties;

(b) by written notice to a SPA Party that has materially breached any representation, warranty or covenant in the SPA, when said breach has not been remedied by the infringing SPA Party within fifteen (15) consecutive days from receipt of the notice of such breach;

(c) by either SPA Party, upon written notice to the other SPA Party, if the closing of the Proposed Acquisition does not occur by 30 June 2023, provided that the SPA Party sending such notice is not in material breach of the SPA; and

(d) by either SPA Party, upon written notice to the other SPA Party, if the other SPA Party files for and/or requires bankruptcy, reorganisation, dissolution or liquidation or have them declared or imposed.

In case one SPA Party breaches any item or condition of the SPA, the innocent SPA Party shall serve a written notice to the infringing SPA Party by which the innocent SPA Party shall specify the obligation breached and shall provide a period of fifteen (15) days to the infringing SPA Party to remedy said breach.

The SPA may not be terminated after the Closing Date by either SPA Party, except if any Governmental Authority[2] with competence over the matter expressly and definitively, in a decision not subject to

[1] Events considered to have a "material adverse effect" on UGHC Brasil if it (a) materially adversely affects the financial or other condition or result of operations, assets, liabilities, equity and/or business of UGHC Brasil; (b) materially impedes the ongoing operations of UGHC Brasil; (c) significantly adversely affects a material asset of UGHC Brasil; and/or (d) materially adversely affects the business, affairs, operations, assets, properties, prospects, liabilities (contingent or otherwise), capital, earnings or condition of UGHC Brasil (a "**Material Adverse Effect**").

[2] Means any: (a) international or multinational organization, nation, region, state, country, city, town, village, or district government or other jurisdiction of any nature; (b) governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal); or (c) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, policy, regulatory, taxing authority or power of any nature

appeal, (i) denies permission to the Proposed Acquisition, if applicable, or (ii) imposes any conditions or qualifications to approve the Proposed Acquisition. In the case of item (ii), the SPA Parties shall immediately discuss such condition or qualifications aiming at the satisfactory preservation of the objectives established in the SPA; provided, however, that the Vendor shall not be required to incur any material financial obligation in connection with such application or process.

**2.5. Financial Information**

Based on the latest unaudited financial statements of UGHC Brasil for the half year ended 31 December 2022, UGHC Brasil recorded a net loss before tax of approximately R$22.2 million (approximately S$5.9 million) for the half year financial year ended 31 December 2022 ("**HY2023**") and has a net asset of approximately R$5.7 million (approximately S$1.4 million) as at 31 December 2022.

**2.6. Relative Figures under Catalist Rule 1006**

The relative figures computed on the bases set out in Catalist Rule 1006 are based on the latest announced unaudited financial statements of the Group for HY2023 and are as follows:

| Rule 1006 | | Relative Figures |
|---|---|---|
| (a) | Net asset value of the assets to be disposed of or aggregate value of the financial assistance given, compared with the Group's net asset value. | Not applicable[(1)] |
| (b) | The net profits/losses attributable to the assets acquired, compared with the Group's net profits | 25.3%[(2)] |
| (c) | Aggregate value of the consideration given or aggregate value of the financial assistance given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares | 10.7%[(3), (4)] |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable [(5)] |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable [(6)] |

**Notes:**

(1) Not applicable as the Proposed Acquisition is an acquisition of assets.

(2) Computed based on the net loss before tax attributable to 40.0% of UGHC Brasil (being the Sale Quotas) amounting to S$2,355,966, and net loss before tax of the Group amounting to S$9,311,000 for HY2023.

(3) Computed based on the Purchase Consideration of an amount equivalent to approximately S$10,539,587.61.

(4) Computed based on the market capitalisation of the Company of S$98,564,478, which is computed based on 623,825,811 Shares (excluding treasury shares) in issue and the weighted average price of S$0.158, as at 30 May 2023, being the last trading day prior to the signing of the SPA.

(5) Not applicable as no equity securities are issued by the Company as consideration for the Proposed Acquisition.

(6) Not applicable as neither the Company nor UGHC Brasil is a mineral, oil or gas company.

### 2.7. Shareholders' Approval for the Proposed Acquisition

Catalist Rule 1014 states, *inter alia*, that where any of the relative figures as computed on the bases set out in Catalist Rule 1006 exceeds, for an acquisition, 75.0% but is less than 100.0%, the transaction would be classified as a major transaction and shareholders' approval will be required to be sought.

Catalist Rule 1007(1) states, *inter alia*, that if any of the relative figures computed pursuant to Catalist Rule 1006 involves a negative figure, Chapter 10 (specifically Practice Note 10A) is applicable to the transaction in accordance with the applicable circumstances.

According to Paragraph 4.6 of Practice Note 10A, if a transaction does not fall within all the situations in paragraphs 4.3 and 4.4 of Practice Note 10A, Catalist Rule 1014 (on "major transactions") shall apply to the transaction.

Although none of the relative figures of the Proposed Acquisition exceeds 75.0%, as the relative figures computed based on Rule 1006(b) involves a negative figure, Practice Note 10A is applicable. As the Proposed Acquisition does not fall within all of the situations in paragraphs 4.3 and 4.4 of Practice Note 10A (in particular, paragraph 4.4(a) of Practice Note 10A of the Catalist Rules as the net loss attributable to the 40.0% of UGHC Brasil (being the Sale Quotas) exceeds 10% of the Group's consolidated net loss for HY2023), Catalist Rule 1014 (on "major transactions") shall apply to the Proposed Acquisition and the Company will seek shareholders' approval at an EGM.

### 2.8. Service Contracts

No person is proposed to be appointed as a Director in connection with the Proposed Acquisition and no service contracts in relation thereto are proposed to be entered into by the Company.

## 3. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

### 3.1. Assumptions

The pro forma financial effects of the Proposed Acquisition on the net tangible assets (the "**NTA**") per Share and earnings per Share (the "**EPS**") of the Group as set out below are purely for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Proposed Acquisition.

The financial effects of the Proposed Acquisition set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 30 June 2022 ("**FY2022**") and UGHC Brasil's audited management accounts for FY2022, and the following based and assumptions:

(a) that the Proposed Acquisition had been completed on 1 July 2021 for the purposes of illustrating the financial effects on the EPS;

(b) that the Proposed Acquisition had been completed on 30 June 2022 for the purposes of illustrating the financial effects on NTA;

(c) the computation does not take into account any expenses that may be incurred in relation to the Proposed Acquisition; and

(d) the number of Shares outstanding in the capital of the Company is taken to be as at the date of this announcement, being 623,825,811.

### 3.2. Earnings per Share

The pro forma financial effects on the Group's EPS for FY2022 would be as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---|---|
| Profit attributable to shareholders of the Company (S$) | 36,795,526 | 31,154,144 |
| Weighted average number of Shares | 620,197,769 | 620,197,769 |
| EPS (Singapore cents) | 5.93 | 5.02 |

### 3.3. Net Tangible Assets

The pro forma financial effects on the Group's NTA as at 30 June 2022 would be as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---|---|
| NTA (S$) | 228,423,066 | 215,220,980 |
| Number of Shares in issue | 623,825,811 | 623,825,811 |
| NTA per Share (Singapore cents) | 36.62 | 34.50 |

## 4. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and their respective associates, and to the best of knowledge of the Directors, none of the substantial shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Acquisition and the transactions contemplated therein, other than through their respective directorships and/or shareholding interests, if any, in the Company.

## 5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

## 6. EGM AND CIRCULAR

A circular to the shareholders containing further details on the Proposed Acquisition and enclosing a notice of EGM in connection therewith will be dispatched to shareholders of the Company in due course.

## 7. DOCUMENTS FOR INSPECTION

The SPA is available for inspection during normal business hours at the registered office of the Company at 38 Beach Road, #29-11 South Beach Tower, Singapore 189767 for a period of 3 months from the date of this announcement.

## 8. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action in respect of securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Completion of the Proposed Acquisition is subject to, amongst others, the fulfilment of the conditions in the SPA and, as at the date of this announcement, there is no certainty or assurance that the Proposed Acquisition will proceed to completion. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

By Order of the Board of
**UG Healthcare Corporation Limited**

Lee Keck Keong
Executive Director and CEO

31 May 2023

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*This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").*

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

*The contact person for the Sponsor is Ms Charmian Lim (Telephone no.: (65) 6232 3210) at 1, Robinson Road, #21-00 AIA Tower, Singapore 048542*