UGHEALTHCARE CORPORATION

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

UG Healthcare records S$20.7 million net loss in FY23

- **Normalisation of post-pandemic global demand and supply of disposable examination gloves has been gradual with margin undermined by intense price competition, slow depletion of relatively high-priced inventories and higher operating costs**
- **Group continues to drive diversification in order to broaden earnings base and enhance long-term sustainable growth through:**
  - expansion in product portfolio and business development teams to maximise growth potential of its entrenched downstream global distribution network
  - strategic diversification into non-glove healthcare businesses including the joint development, management and operation of active retirement homes

Key Financial Highlights:

FYE 30 Jun (S$'000)	2H FY23	2H FY22	YoY Change	FY23	FY22	YoY Change
Revenue	45,234	115,320	(60.8)%	101,133	232,598	(56.5)%
Gross (loss)/profit	(4,687)	39,836	N.M.	1,448	84,386	(98.3)%
Gross margin	(10.4)%	34.5%	(44.9) pp	1.4%	36.3%	(34.9) pp
(Loss)/Profit before tax	(19,050)	22,850	N.M.	(28,361)	48,761	N.M.
Net (loss)/profit after tax	(18,036)	19,742	N.M.	(26,963)	39,798	N.M.
Net (loss)/profit (1)	(15,956)	15,549	N.M.	(20,734)	36,795	N.M.
Net margin	(35.3)%	13.5%	(48.8) pp	(20.5)%	15.8%	(36.3) pp
EPS (2) (cents)	(2.56)	2.48	N.M.	(3.32)	5.93	N.M.

Notes:

* 2H denotes 6 months and FY denotes 12 months ended 30 June; N.M. denotes not meaningful.

(1) Net (loss)/profit attributable to owners of the Company.

(2) Loss per share ("**LPS**") or earnings per share ("**EPS**") is based on the average weighted number of shares of 623.8 million for 2H FY23, 2H FY22 and FY23 and 620.2 million for FY22.

Singapore, 28 August 2023 – UG Healthcare Corporation Limited 优格医疗集团 ("**UG Healthcare**" and together with its subsidiaries, the "**Group**"), an own brand manufacturer that markets and sells proprietary **UNI**GLOVES® branded products through its own established global downstream distribution network, recorded S$20.7 million in net loss for the financial year ended 30 June 2023 ("**FY23**"), a reversal from a net profit of S$36.8 million for the financial year ended 30 June 2022 ("**FY22**"). The net loss stemmed from (i) lower revenue, corresponding to lower sales volume and lower average selling prices ("**ASP**") of nitrile and latex disposable examination gloves, (ii) impairment charges on equipment and machineries of its upstream manufacturing facilities, (iii) write-down of inventories to current market value, and (iv) higher operating costs due to inflationary pressure on fixed overheads including electricity and gas tariffs, and a hike in minimum labour wage under the new employment act.

Commenting on the financial performance for FY23, Mr. Lee Jun Yih, Executive Director and Finance Director of UG Healthcare said, "**We braced ourselves for this reversal in trend when COVID-19 was declared a pandemic in early 2020. The rapid and aggressive capacity expansion in the region over the last few years, however, changed the upstream manufacturing landscape. The inflationary pressure on fixed overheads in Malaysia where our manufacturing facilities are based, left us relatively less favourable.**

Nevertheless, our own-brand manufacturing ("OBM") business model which integrates our downstream distribution operations moderate our risks and at the same time, opens up options for the expansion of our product portfolio. We have strengthened our business development teams according to product and market diversification to maximise the growth potential of our global downstream distribution platform. This will potentially balance our business risks on disposable examination gloves and broaden our earnings base in the longer term.

It has been our culture to nurture businesses for sustainable growth for the long term. Our strategic diversification into non-glove healthcare businesses is targeted at balancing our Group's overall risk profile, and do require time and effort to bear fruits. In this respect, we appreciate the patience and support of our stakeholders in their participation of our growth journey."

No dividend is recommended for FY23 as the Group recorded losses for the financial year. The Board is of the view to exercise prudence and be mindful of the uncertain macroeconomic environment amidst the Group's commitment to the strategic investments of both its glove and non-glove healthcare businesses.

The Group targets to commence production of disposable examination gloves in its third manufacturing facility in the financial year ending 30 June 2024. This could potentially improve the Group's production efficiency and volume of disposable examination gloves, hence mitigating rising inflationary pressure on operating cost at its upstream manufacturing operations.

FINANCIAL REVIEW

The Group registered a decline in revenue across all product and geographical segments in FY23 as compared to FY22.

Revenue analysis by product segments

FYE 30 Jun (S$'000)	Revenue			Gross Profit			Gross Margin	
	FY23	FY22	YoY Change	FY23	FY22	YoY Change	FY23	FY22
Latex examination gloves	66,394	110,496	(39.9)%	457	39,924	(98.9)%	0.7%	36.1%
Nitrile examination gloves	28,687	115,451	(75.2)%	144	43,828	(99.7)%	0.5%	38.0%
Other ancillary products	6,052	6,651	(9.0)%	847	634	+ 33.6%	14.0%	9.5%
Total	**101,133**	**232,598**	**(56.5)%**	**1,448**	**84,386**	**(98.3)%**	**1.4%**	**36.3%**

The decline was mainly due to the gradual normalisation of global demand and supply for disposable examination gloves post-pandemic amid excess capacity which resulted in intense price competition and slow consumption of relatively high-priced inventories at the downstream distribution segment.

Revenue analysis by key markets

FYE 30 June (S$'000)	FY23	FY22	YoY Change
Europe	40,904	116,010	(64.7)%
North America	7,262	24,005	(69.7)%
South America	21,022	35,707	(41.1)%
Africa	8,575	11,998	(28.5)%
Asia	20,971	40,751	(48.5)%
Others	2,399	4,127	(41.9)%
Total	**101,133**	**232,598**	**(56.5)%**

Note: As a result of the integrated supply chain, the Group recognises sales only after the products have been sold by the distribution companies. The goods in transit and in the warehouses of its distribution companies are recorded as inventory, and can only be recognised as revenue when they are sold to end consumers.

Correspondingly, slower demand for disposable examination gloves have led to lower productivity at the upstream manufacturing segment, which were insufficient to cover the higher fixed operating costs including electricity and gas tariffs, as well as higher minimum labour wage under the new employment act. This undermined the cost savings generated from the decrease in the average purchase price of raw materials.

Gross profit decreased significantly from S$84.4 million in FY22 to S$1.4 million in FY23 in tandem with the decrease in ASP of both latex and nitrile disposable examination gloves, the write-down of inventory value of disposable examination gloves, and higher overhead expenses at the upstream manufacturing segment. This led to the steep decline in gross profit margin from 36.3% in FY22 to 1.4% in FY23. Other income increased from S$0.7 million in FY22 to S$2.7 million in FY23 as a result of higher interest income from fixed deposits with the banks.

Other expenses increased from S$2.4 million in FY22 to S$5.6 million in FY23, arising mainly from the impairment of equipment and machineries at the upstream manufacturing segment.

Total operating expenses comprising marketing and distribution expenses and administrative expenses decreased from S$33.2 million in FY22 to S$26.6 million in FY23. The decrease was mainly due to the reduction in groupwide staff bonuses and commission, in tandem with the decline in revenue and profit.

Finance costs increased marginally from S$0.8 million in FY22 to S$0.9 million in FY23 due to an increase in utilisation of trade facilities and higher borrowing interest rate.

Share of results from associates saw an increase in profit from S$0.1 million in FY22 to S$0.6 million in FY23 on higher profits reported by its associates in Germany and the USA.

After taking into account the tax expenses and minority interests, the Group registered a net loss attributable to shareholders of S$20.7 million in FY23, a reversal from a net profit attributable to shareholders of S$36.8 million in FY22.

FINANCIAL POSITION

FYE 30 Jun (S$'000)	**As at 30 June 2023**	**As at 30 June 2022**
Equity attributable to the owners of the Company ("**Net asset value**")	180,844	228,900
Cash and bank balances	61,745	100,218
Long-term bank borrowings	13,813	10,273
Short-term bank borrowings	16,137	6,186
Net asset value per share	S$ 0.2899	S$ 0.3669

Note: Net asset value per share was computed based on the share capital of 623.8 million shares as at 30 June 2023 and 30 June 2022.

Due to the net loss attributable to shareholders of S$20.7 million for FY23, net asset value per share decreased correspondingly from S$0.3669 as at 30 June 2022 to S$0.2899 as at 30 June 2023. Nevertheless, the Group's balance sheet remains strong with net cash position of approximately S$31.8 million as at 30 June 2023.

CORPORATE DEVELOPMENTS

The strategic diversification into non-glove healthcare businesses comprising (i) the joint development, management and operation of active retirement homes, and healthcare and wellness business, and (ii) the joint establishment of a medical diagnostic centre in Nigeria, are currently at various stages of progress.

Mr. Lee adds, "**We believe it is timely for the Group to embark on these strategic non-glove healthcare businesses as we continue towards our aspiration of becoming a healthcare-related organisation.**"

The Group is of the view that these business initiatives intended for the Group's sustainable growth in the long term, require time and effort to build. The Group will update shareholders on material developments as and when they arise.

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This media release is to be read in conjunction with the Company's results announcement posted on the SGX website on 28 August 2023.

UG HEALTHCARE CORPORATION 优格医疗集团

(Stock Code – SGX: 8K7 | Bloomberg: UGHC SP | Reuters: UGHE.SI)

UG Healthcare Corporation Limited ("**UG Healthcare**" and together with its subsidiaries, the "**Group**") is an own brand manufacturer that markets and sells proprietary **UNI**GLOVES® branded products through its own established global downstream distribution network.

The Group owns and operates an extensive downstream network of distribution companies with a local presence in Europe, United Kingdom, USA, China, Africa and South America, where it markets and sells its proprietary **UNI**GLOVES® brand of disposable gloves. The Group also distributes ancillary products including surgical gloves, vinyl and cleanroom disposable gloves, reusable gloves, face masks and other medical disposables.

These downstream distribution companies are supported and complemented by the Group's own upstream manufacturing division, manufacturing natural latex and nitrile disposable gloves under its **UNI**GLOVES® brand and third-party labels in its upstream manufacturing facilities located in Malaysia.

The Group's upstream manufacturing is certified by British Standards Institution ("**BSI**") for ISO 9001:2015, ISO 13485:2016 and EN ISO 13485:2016 for the scope of manufacture and supply of natural latex and nitrile latex examination gloves.

Its **UNI**GLOVES® brand of disposable gloves offers an extensive product range that includes both specialised products, with a variety of coatings, scents, colours, thickness, antimicrobial properties for more specialised users, as well as generic products. These products are used across a diverse range of industries requiring cross infection protection and hygiene standards, whilst catering to different applications and preferences.

The Group's proprietary brand of products conform to various international standards and requirements, including the ASTM International (formerly known as American Society for Testing and Materials), European standard for medical gloves ("**EN455**"), ISO 11193 standards (International Organization for Standardization for Single-use medical examination gloves), CE and UKCA Type Examination Certificates of Latex and Nitrile Examination Gloves PPE 2016(425) Cat III, Acceptance Quality Level requirements under the Food and Drug Administration ("**USFDA**"), China Food and Drug Administration ("**CFDA**"), Brazilian Health Regulatory Agency ("**Anvisa**") and the National Agency for Food and Drug Business Strategy Administration and Control ("**NAFDAC**").

For more information, please visit the company's website at www.ughealthcarecorporation.com

Issued for and on behalf of **UG Healthcare Corporation Limited** by:

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