UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

HALF YEARLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Limited (the **"Sponsor"**), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Alicia Kwan (telephone no.: +65 65323829) at 1, Robinson Road, #21-02 AIA Tower, Singapore 048542.

BACKGROUND

The Company was incorporated in the Republic of Singapore on 21 August 2014 under the Companies Act (Chapter 50) of Singapore as a private company limited by shares under the name of "UG Healthcare Corporation Pte. Ltd.". The Group (which comprises the Company and its subsidiaries) was formed pursuant to a restructuring exercise ("Restructuring Exercise") prior to the IPO and the Company's listing on the Catalist Board of the SGX-ST ("Catalist"). Please refer to the Company's Offer Document dated 28 November 2014 ("Offer Document") for further details on the Restructuring Exercise.

The Company was admitted to Catalist on 8 December 2014. For the purpose of this announcement, the comparative results of the Group for the 6 months financial period ended 31 December 2013 have been prepared on the assumption that the Group's structure following the completion of the Restructuring Exercise had been in place since 1 July 2013. No comparative figures will be presented for the Company as the Company was only incorporated on 21 August 2014.

PART I INFORMATION REQUIRED FOR QUARTERLY (1Q, 2Q & 3Q), HALF-YEAR (HY) AND FULL YEAR ANNOUNCEMENTS

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	6 Months Ended	
	31-Dec-14	31-Dec-13
	S$'000	S$'000
Revenue	25,108	26,008
Cost of sales	(20,049)	(20,079)
Gross profit	5,059	5,929
Other income	235	189
	5,294	6,118
Marketing and distribution expenses	(554)	(337)
Administrative expenses	(2,219)	(2,072)
Other expenses	(43)	(139)
Finance costs	(155)	(143)
Share of profits from associates	317	283
Profit before tax	2,640	3,710
Income tax expense	(291)	(775)
Profit for the year	2,349	2,935
Other comprehensive loss		
Exchange difference on translating foreign operations	(805)	(64)
Total comprehensive income for the year	1,544	2,871
Profit attributable to:		
Owners of the Company	2,414	2,909
Non-controlling interests	(65)	26
	2,349	2,935
Total comprehensive income attributable to:		
Owners of the Company	1,615	2,842
Non-controlling interests	(71)	29
	1,544	2,871
Earnings per share (cents)		
Basic and diluted	1.28	1.55

1(a)(ii) NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	6 Months Ended	
	31-Dec-14	31-Dec-13
	S$'000	S$'000
Profit for the financial period is arrived at after charging/(crediting) the following:		
Interest income	(29)	(4)
Foreign exchange gain	(91)	(171)
Negative goodwill	(100)	-
Other income	(15)	(14)
Interest expense on borrowings	155	143
Depreciation	440	404
Over provision of tax in prior years	(40)	-

1(b)(i) STATEMENT OF FINANCIAL POSITION OF THE GROUP AND THE COMPANY AS AT 31 DECEMBER 2014

	Group		Company
	31-Dec-14 S$'000	30-June-2014 S$'000	31-Dec-14 S$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	-	-	24,322
Associates	4,760	4,555	-
Property, plant and equipment	13,216	12,853	-
Intangibles	184	-	-
Total non-current assets	18,160	17,408	24,322
Current assets			
Inventories	10,251	9,019	-
Amount due from a subsidiary	-	-	6,180
Derivative financial instruments	92	95	-
Trade and other receivables	14,039	10,065	2,100
Cash and bank balances	8,333	3,781	5,228
Total current assets	32,715	22,960	13,508
Total assets	50,875	40,368	37,830
EQUITY AND LIABILITIES			
Equity			
Share capital	37,694	3,988	37,694
Reserve	(26,701)	38	-
Retained earnings	28,309	25,957	(6)
Equity attributable to the owners of the Company	39,302	29,983	37,688
Non-controlling interests	337	101	-
Total equity	39,639	30,084	37,688
Non-current liabilities			
Deferred tax liabilities	378	388	-
Bank borrowings	4,041	4,300	-
Total non-current liabilities	4,419	4,688	-
Current liabilities			
Income tax payable	66	18	-
Amount owing to a subsidiary	-	-	142
Trade and other payables	4,431	4,102	-
Bank borrowings	2,320	1,476	-
Total current liabilities	6,817	5,596	142
Total liabilities	11,236	10,284	142
Total equity and liabilities	50,875	40,368	37,830

1(b)(ii) GROUP'S BORROWINGS AND DEBT SECURITIES

	31-Dec-14		30-June-14	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	2,320	-	1,476	-
Amount repayable after one year	4,041	-	4,300	-
Total borrowings	6,361	-	5,776	-

Details of collaterals

As at 31 December 2014 and 30 June 2014, the Group's borrowings are secured by:

(i) fixed and floating charges over assets of a subsidiary
(ii) debentures over certain production lines
(iii) charge on certain leasehold land and building of a subsidiary
(iv) fixed deposits pledged as collateral
(v) corporate guarantee and
(vi) personal guarantees from certain directors of the Company

1(c) CONSOLIDATED CASH FLOW STATEMENT

	Group	
	6 Months Ended	
	31-Dec-14 S$'000	31-Dec-13 S$'000
Operating activities		
Profit before income tax	2,640	3,710
Adjustments for:		
Share of profits from associates	(317)	(283)
Depreciation expense	440	404
Interest expense	155	143
Interest income	(29)	(4)
Unrealised exchange differences	482	407
Operating cash flows before movements in working capital	3,371	4,377
Movements in working capital		
Inventories	(1,231)	(2,965)
Trade and other receivables	(3,603)	2,666
Amount due from a director	-	(36)
Trade and other payables	329	(1,349)
Cash (used in)/generated from operations	(1,134)	2,693
Interest paid	(155)	(143)
Income taxes paid	(779)	(779)
Net cash (used in)/from operating activities	(2,068)	1,771
Investing activities		
Additional investment in associates	-	(2,303)
Acquisition of a subsidiary, net of cash and cash equivalents	151	-
Acquisition of property, plant and equipment	(793)	(1,144)
Interest received	29	4
Net cash used in investing activities	(613)	(3,443)
Financing activities		
Drawdown/(Repayment) of borrowings	733	(83)
Proceeds from issuance of shares	6,192	2,257
Net cash from financing activities	6,925	2,174
Net increase in cash and cash equivalents	4,244	502
Cash and cash equivalents at beginning of financial period	2,678	2,394
Effects on currency translation on cash and cash equivalents	(41)	(67)
Cash and cash equivalents at end of financial period	6,881	2,829
Cash and cash equivalents comprised the following:		
Cash and bank balances	8,333	3,677
Less: Fixed deposits pledged to bank	(827)	(848)
Less: Bank overdrafts	(625)	-
	6,881	2,829

1(d)(i) STATEMENT OF CHANGES IN EQUITY

	Group						
	Attributable to owners of the Company						
	Share capital S$'000	Merger reserve S$'000	Foreign currency translation reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total S$'000
Balance as at 1 July 2014	3,988	-	38	25,957	29,983	101	30,084
Profit for the financial period	-	-	-	2,417	2,417	(65)	2,352
Other comprehensive income/(loss)							
Exchange differences on translating foreign operations	-	-	(799)	-	(799)	(6)	(805)
Dilution of equity in a subsidiary	(16)	-	-	(65)	(81)	81	-
Effects on acquisition of subsidiaries	33,722	(25,940)	-	-	7,782	226	8,008
Balance as at 31 December 2014	37,694	(25,940)	(761)	28,309	39,302	337	39,639
Balance as at 1 July 2013	1,281	-	646	21,120	23,047	99	23,146
Profit for the financial period	-	-	-	2,909	2,909	26	2,935
Other comprehensive income/(loss)							
Exchange differences on translating foreign operations	-	-	(69)	-	(69)	3	(66)
Issuance of shares	2,257	-	-	-	2,257	-	2,257
Balance as at 31 December 2013	3,538	-	577	24,029	28,144	128	28,272

1(d)(i) STATEMENT OF CHANGES IN EQUITY (continued)

	Company		
	Share capital S$'000	**Accumulated losses S$'000**	**Total S$'000**
Balance as at date of incorporation	-*	-	-*
Issuance of new shares	37,694	-	37,694
Total comprehensive loss for the period	-	(6)	(6)
Balance as at 31 December 2014	37,694	(6)	37,688

*Note: * denotes amount less than S$1,000*

1(d)(ii) SHARE CAPITAL

	Company	
	Number of ordinary shares	Issued and paid up share capital S$
Issued and paid up share capital as at date of incorporation	1	1
Issue of new shares pursuant to the Restructuring Exercise	30,502,217	30,502,217
Issue of new shares pursuant to sub-division of shares	122,008,872	-
Issue of new shares pursuant to the conversion of the Convertible Loan	6,712,440	1,000,000
Issue of new shares pursuant to the IPO	28,800,000	6,192,000
Balance as at 31 December 2014	188,023,530	37,694,218

As at 31 December 2014, the Company had no outstanding convertibles and treasury shares. There are no comparative figures for the Company as at the end of the corresponding period of the immediately preceding financial year as the Company was incorporated on 21 August 2014.

1(d)(iii) TOTAL NUMBER OF ISSUED SHARES EXCLUDING TREASURY SHARES

	Total number of issued shares excluding treasury shares
Balance as at 31 December 2014	188,023,530

There are no comparative figures as at the end of the immediately preceding financial year as the Company was incorporated on 21 August 2014.

1(d)(iv) TREASURY SHARES

There were no treasury shares as at the end of current financial period.

2 REVIEW OR AUDIT OF FIGURES PRESENTED

The figures presented have not been reviewed or audited by the Company's auditors

3. AUDITORS QUALIFICATION

Not applicable.

4. ACCOUNTING POLICIES

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to its audited financial statements for the financial year ended 30 June 2014.

5. EFFECT OF CHANGES IN ACCOUNTING POLICIES

In the current financial period, the Group has adopted all the new and revised financial reporting standards (**"FRS"**) and Interpretations of FRS (**"INT FRS"**) that are relevant to the Group and effective for the financial period beginning 1 July 2014 and 1 January 2014. The adoption of these new and revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

6. EARNINGS PER SHARE

	Group	
	6 months period ended	
	31-Dec-14	31-Dec-13
Profit attributable to owners of the Company (S$'000)	2,414	2,909
Weighted average number of ordinary shares	188,023,530	188,023,530
Earnings per share (basic and diluted)(cents)	1.28	1.55

7. NET ASSETS VALUE ("NAV") PER SHARE

	Group		Company
	31-Dec-14	30-June-14	31-Dec-14
NAV per share (cents)	21.08	16.00	20.04
Total equity (S$'000)	39,639	30,084	37,688
Number of ordinary shares used in computation of NAV per share	188,023,530	188,023,530	188,023,530

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue
Revenue decreased by approximately S$0.9 million or 3.5%, from S$26.0 million in 1HFY2014 to S$25.1 million in 1HFY2015, due to reduction in average selling price of the Group's products, which was partially mitigated by the slight increase in volume of gloves produced.

Cost of Sales
Cost of sales reduced slightly by S$0.03 million or 0.01% from S$20.08 million in 1HFY2014 to S$20.05 million in 1HFY2015.

Gross Profit and Gross Profit Margin
Gross profit reduced by S$0.87 million from S$5.93 million in 1HFY2014 to S$5.06 million in 1HFY2015. The Group's GP margin decreased from 22.8% in 1HFY2014 to 20.15% in 1HFY2015, mainly due to reduction in average selling price of the Group's products.

Other income
Other income increased by S$0.05 million or 26.3% from S$0.19 million in 1HFY2014 to S$0.24 million in 1HFY2015 due to increase in interest income earned and negative goodwill (arising from acquisition of Uni-Medical Healthcare Limited) credited to profit and loss account, partially offset by the reduction in unrealised foreign exchange gain.

Marketing and Distribution Expenses
Marketing and distribution expenses increased by S$0.21 million or 61.8% from S$0.34 million in 1HFY2014 to S$0.55 million in 1HFY2015.

The increase was due to additional marketing expenses incurred to expand our distribution network.

Administrative Expenses
Administrative expenses increased by S$0.15 million or 7.2% from S$2.07 million in 1HFY2014 to S$2.22 million in 1HFY2015, mainly due to increase in personnel costs.

Other Expenses
Other expenses decreased by S$0.1 million or 71.4% from S$0.14 million in 1HFY2014 to S$0.04 million in 1HFY2015. The reduction was mainly due to pre-IPO expenses incurred in 1HFY2014.

Share of Profits from Associates
Our share of results of associates amounted to S$0.32 million in 1HFY2015, an increase of S$0.04 million as compared to S$0.28 million in 1HFY2014 due to improved results of the German associates.

Finance Costs
Finance costs increased by S$0.02 million or 14.3% from S$0.14 million in 1HFY2014 to S$0.16 million in 1HFY2015. The increase was due to additional interest incurred as a result of new term loan drawdown for the construction of a new production line in 1HFY2015.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 December 2014

Non-current Assets
Non-current assets increased by S$0.8 million from S$17.4 million to S$18.2 million, due to:

(a) Acquisition of property, plant and equipment of S$0.8 million, partially offset by depreciation charge of S$0.4 million; and
(b) Acquisition of intangible assets, comprising business licences, amounting to S$0.2 million upon acquisition of Uni-Medical Healthcare Limited.

Current Assets
Current assets increased by S$9.8 million from S$22.9 million to S$32.7 million, mainly due to:

(a) Increase in inventories by S$1.2 million or 13.7% from S$9.0 million as at 30 June 2014 to S$10.2 million as at 31 December 2014. The increase in inventories was a result of stocking up gloves inventories in our overseas warehouse to cater for demand of our products without compromising the delivery lead time to end customers.
(b) Increase in trade and other receivables by S$4.0 million or 39.5% from S$10.0 million as at 30 June 2014 to S$14.0 million as at 31 December 2014. The increase in trade and other receivables was mainly due to increase in orders from customers in Q2 1HFY2015, and prepayments relating to IPO expenses incurred of S$1.9 million in 1HFY2015, of which a portion will be expensed off in FY2015.
(c) Increase in cash and bank balances by S$4.6 million or 120.4% from S$3.8 million as at 30 June 2014 to S$8.3 million as at 31 December 2014. The increase in cash and bank balances was mainly due to remaining unutilised IPO proceeds received (refer item 15 "Use of Proceeds" for further details).

Equity
Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The increase in equity was mainly due to:

(a) increase in share capital due to new shares issued from the Restructuring Exercise of S$33.7 million;
(b) profit attributable to owners of the Company for the financial period of S$2.4 million; and

The increase was partially offset by:
(c) decrease in foreign currency translation reserves of S$0.7 million mainly due to weakening of Ringgit Malaysia (functional currency of major subsidiaries) against Singapore Dollars (presentation currency); and
(d) merger reserve of S$25.9 million arising from the Restructuring Exercise.

Non-current liabilities
Non-current liabilities decreased by S$0.3 million from S$4.7 million as at 30 June 2014 to S$4.4 million as at 31 December 2014, mainly due to net repayment of term loans.

Current liabilities
Current liabilities increased by S$1.2 million from S$5.6 million as at 30 June 2014 to S$6.8 million as at 31 December 2014, mainly due to:

(a) Increase of S$0.3 million in trade and other payables due to increase in purchases of raw materials;
(b) Increase in utilisation of trade financing facilities by S$0.2 million; and
(c) Usage of bank overdraft of S$0.6 million for working capital purposes.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1HFY2015, the net cash used in operations amounted to S$2.07 million. This comprises positive operating cash flows before changes in working capital of S$3.37 million, adjusted by net working capital outflow of S$4.51 million, interest and taxes paid of S$0.16 million and S$0.78 million respectively. The net working capital outflow was mainly due to increases in inventories of S$1.23 million and trade and other receivables of S$3.60 million, which was partially offset by an increase in trade and other payables of S$0.33 million.

Net cash used in investing activities amounted to S$0.6 million in 1HFY2015. This was mainly due to the purchases of property, plant and equipment of S$0.75 million and net cash inflow on acquisition of a subsidiary of S$0.15 million.

Net cash from financing activities amounted to S$6.93 million in 1HFY2015. This was mainly due to net drawdown of borrowings of S$0.73 million and IPO proceeds of S$6.19 million.

9. ACTUAL RESULTS VS PROFIT FORECAST

No forecast or prospect statement has been previously disclosed to shareholders.

10. PROSPECT

The Group expects the next 12 months to remain challenging due to competition among major gloves producers. However, the Group believes it can still enjoy continuous growth due to reasons and industry trends as stated under the section "Business - Prospect" in our Offer Document.

The Group will continue to explore its plans and strategies as outlined in the Offer Document, which includes:

(a) Expansion of production capacity;
(b) Expansion of sales and distribution network;
(c) Developing new products and engaging in research and development; and
(d) Inorganic expansion of business.

11. DETAILS OF DIVIDEND DECLARED OR RECOMMENDED

Not applicable

12. DIVIDEND DECLARED OR RECOMMENDED

No dividend has been declared or recommended.

13. INTEREST PARTY TRANSACTIONS ("IPT") MANDATE

The Company has not obtained any IPT mandate from the shareholders.

14. RULE 705(5) OF THE LISTING MANUAL

The Board of Directors of the Company hereby confirms, to the best of its knowledge, nothing has come to its attention which may render the financial results for the half year ended 31 December 2014 to be false or misleading in any material aspect.

On behalf of the Board,

ANG BENG TECK
Executive Director and CEO

LEE JUN YIH
Executive Director

15. USE OF PROCEEDS

In accordance with the section entitled "Use of Proceeds From The Invitation and Listing Expenses Incurred" in the Offer Document, and as at 31 December 2014, the Company wishes to announce that the net proceeds of approximately S$6.19 million have been utilised as follows:

	Amount allocated	Amount utilised	Balance of net proceeds as at 31-Dec-14
	S$ million	S$ million	S$ million
Expansion of production capacity	3.20	0.32	2.88
Expansion of sales and distribution network	0.65	-	0.65
Developing new products and engaging in research and development	0.30	-	0.30
General working capital	0.07	-	0.07
Listing expenses	1.97	1.64	0.33
	6.19	1.96	4.23

By order of the Board
UG Healthcare Corporation Limited

ANG BENG TECK
Executive Director and CEO

10 February 2015