



UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

HALF YEARLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

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

This announcement has not been examined or approved by 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 Tan Pei Woon (Telephone no.: (65) 65323829) at 1, Robinson Road, #21-02 AIA Tower, Singapore 048542.

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		Increase/ (Decrease) %
	6 Months Ended		
	31-Dec-15 S\$'000	31-Dec-14 S\$'000	
Revenue	30,143	25,108	20.1
Cost of sales	(22,931)	(20,049)	14.4
Gross profit	<u>7,212</u>	<u>5,059</u>	42.6
Other income	979	235	316.6
	<u>8,191</u>	<u>5,294</u>	54.7
Marketing and distribution expenses	(690)	(554)	24.5
Administrative expenses	(3,410)	(2,219)	53.7
Other expenses	(455)	(43)	958.1
Finance costs	(175)	(155)	12.9
Share of profits from associates	396	317	24.9
	<u>3,858</u>	<u>2,640</u>	46.1
Income tax expense	(780)	(291)	168.0
	<u>3,078</u>	<u>2,349</u>	31.0
Other comprehensive loss			
Exchange difference on translating foreign operations	(2,140)	(805)	165.8
	<u>938</u>	<u>1,544</u>	(39.2)
Total comprehensive income for the period	<u>938</u>	<u>1,544</u>	(39.2)
Profit/(loss) attributable to:			
Owners of the Company	3,234	2,414	34.0
Non-controlling interests	(156)	(65)	140.0
	<u>3,078</u>	<u>2,349</u>	31.0
Total comprehensive income/(loss) attributable to:			
Owners of the Company	947	1,615	(41.4)
Non-controlling interests	(9)	(71)	(87.3)
	<u>938</u>	<u>1,544</u>	(39.2)
Earnings per share (cents)			
Basic and diluted	<u>1.72</u>	<u>1.28</u>	

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

	Group	
	6 Months Ended	
	31-Dec-15	31-Dec-14
	S\$'000	S\$'000
Profit for the financial period is arrived at after charging/(crediting) the following:		
Interest income	(2)	(29)
Foreign exchange gain	(969)	(91)
Foreign exchange loss	345	-
Negative goodwill	-	(100)
Other income	(8)	(15)
Interest expense on borrowings	175	155
Depreciation	442	440
Under/(Over) provision of tax in prior years	2	(40)

1(b)(i) STATEMENT OF FINANCIAL POSITION OF THE GROUP AND THE COMPANY

	Group		Company	
	31-Dec-15 S\$'000	30-June-15 S\$'000	31-Dec-15 S\$'000	30-June-15 S\$'000
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	30,802	30,802
Associates	5,176	4,765	-	-
Property, plant and equipment	15,090	14,479	-	-
Intangibles	321	326	-	-
Deferred tax assets	73	74	-	-
Total non-current assets	20,660	19,644	30,802	30,802
Current assets				
Inventories	13,196	10,233	-	-
Amount due from a subsidiary	-	-	2,806	921
Trade and other receivables	16,134	14,833	15	30
Cash and bank balances	6,839	7,101	1,427	3,549
Total current assets	36,169	32,167	4,248	4,500
Total assets	56,829	51,811	35,050	35,302
EQUITY AND LIABILITIES				
Equity				
Share capital	36,243	36,243	36,243	36,243
Reserve	(30,512)	(28,363)	-	-
Retained earnings	32,294	29,060	(1,340)	(1,076)
Equity attributable to the owners of the Company	38,025	36,940	34,903	35,167
Non-controlling interests	16	163	-	-
Total equity	38,041	37,103	34,903	35,167
Non-current liabilities				
Deferred tax liabilities	913	953	-	-
Bank borrowings	3,388	4,078	-	-
Total non-current liabilities	4,301	5,031	-	-
Current liabilities				
Derivative financial instruments	525	571	-	-
Trade and other payables	7,434	7,225	147	135
Bank borrowings	6,528	1,881	-	-
Total current liabilities	14,487	9,677	147	135
Total liabilities	18,788	14,708	147	135
Total equity and liabilities	56,829	51,811	35,050	35,302

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

	31-Dec-15		30-June-15	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	6,528	-	1,881	-
Amount repayable after one year	3,388	-	4,078	-
Total borrowings	<u>9,916</u>	<u>-</u>	<u>5,959</u>	<u>-</u>

Details of collaterals

As at 31 December 2015 and 30 June 2015, the Group's borrowings were 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 STATEMENT OF CASH FLOWS**

	Group	
	6 Months Ended	
	31-Dec-15	31-Dec-14
	S\$'000	S\$'000
Operating activities		
Profit before income tax	3,855	2,640
Adjustments for:		
Share of profits from associates	(396)	(317)
Depreciation expense	442	440
Interest expense	175	155
Interest income	(2)	(29)
Unrealised exchange differences	(1,042)	482
	<hr/>	<hr/>
Operating cash flows before movements in working capital	3,032	3,371
<i>Movements in working capital</i>		
Inventories	(2,963)	(1,231)
Trade and other receivables	(1,710)	(3,603)
Trade and other payables	210	329
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Cash used in operations	(1,431)	(1,134)
Interest paid	(175)	(155)
Income taxes paid	(418)	(779)
	<hr/>	<hr/>
Net cash used in operating activities	(2,024)	(2,068)
	<hr/>	<hr/>
Investing activities		
Acquisition of a subsidiary, net of cash and cash equivalents	-	151
Acquisition of property, plant and equipment	(2,207)	(793)
Interest received	2	29
	<hr/>	<hr/>
Net cash used in investing activities	(2,205)	(613)
	<hr/>	<hr/>
Financing activities		
Drawdown/(Repayment) of borrowings (Net)	4,351	733
Proceeds from issuance of shares	-	6,192
	<hr/>	<hr/>
Net cash from financing activities	4,351	6,925
	<hr/>	<hr/>
Net increase in cash and cash equivalents	122	4,244
Cash and cash equivalents at beginning of financial period	5,905	2,678
Effects on currency translation on cash and cash equivalents	125	(41)
	<hr/>	<hr/>
Cash and cash equivalents at end of financial period	6,152	6,881
	<hr/>	<hr/>
Cash and cash equivalents comprised the following:		
Cash and bank balances	6,839	8,333
Less: Fixed deposits pledged to bank	(687)	(827)
Less: Bank overdrafts	-	(625)
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	6,152	6,881
	<hr/>	<hr/>

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

	Group						
	Attributable to owners of the Company					Total S\$'000	Non- controlling interests S\$'000
	Share capital S\$'000	Merger reserve S\$'000	Foreign currency translation reserves S\$'000	Retained earnings S\$'000			
Balance as at 1 July 2015	36,243	(25,940)	(2,423)	29,060	36,940	163	37,103
Profit for the financial period	-	-	-	3,234	3,234	(156)	3,078
Other comprehensive income/(loss)							
Exchange differences on translating foreign operations	-	-	(2,149)	-	(2,149)	9	(2,140)
Balance as at 31 December 2015	36,243	(25,940)	(4,572)	32,294	38,025	16	38,041
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

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

	Company		
	Share capital S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance as at 1 July 2015	36,243	(1,076)	35,167
Total comprehensive loss for the period	-	(264)	(264)
Balance as at 31 December 2015	36,243	(1,340)	34,903
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 1 July 2015	188,023,530	36,243,188
Issued and paid-up share capital as at 31 December 2015	188,023,530	36,243,188

As at 31 December 2015 and 31 December 2014, the Company had no outstanding convertibles and treasury shares.

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

	Company	
	31-Dec-15	30-June-15
Total number of issued shares excluding treasury shares	188,023,530	188,023,530

As at 31 December 2015 and 30 June 2015, the Company did not have treasury shares.

1(d)(iv) TREASURY SHARES

There were no sales, transfers, disposal, cancellation and / or use of treasury shares during the current financial period reported on.

As at 31 December 2015, the Company did not hold any of its issued shares as treasury shares.

2. REVIEW OR AUDIT OF FIGURES PRESENTED

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

3. AUDITORS' REPORT

Not applicable.

4. ACCOUNTING POLICIES AND METHODS OF COMPUTATION

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 2015.

5. EFFECT OF CHANGES IN ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to the audited financial statements as at 30 June 2015, except for the adoption of the Financial Reporting Standard (FRS) and Interpretations of FRS (INT FRS) which become effective for the financial year beginning on or after 1 January 2016. 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 financial years

6. EARNINGS PER SHARE

	Group	
	31-Dec-15	31-Dec-14
Profit attributable to owners of the Company (S\$'000)	3,234	2,414
Weighted average number of ordinary shares	188,023,530	188,023,530
Earnings per share (basic and diluted)(cents)	1.72	1.28

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

	Group		Company	
	31-Dec-15	30-June-15	31-Dec-15	30-June-15
NAV per share (cents)	20.23	19.73	18.56	18.70
Total NAV (including non-controlling interests) (S\$'000)	38,041	37,103	34,903	35,167
Number of ordinary shares used in computation of NAV per share	188,023,530	188,023,530	188,023,530	188,023,530

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue

Revenue increased by approximately S\$5.0 million or 20.1%, from S\$25.1 million in the financial period ended 31 December 2014 (“1HFY2015”) to S\$30.1 million in the financial period ended 31 December 2015 (“1HFY2016”), mainly due to increase in volume of gloves produced and sold, partially mitigated by the decreased average selling price.

Cost of Sales

Cost of sales increased by S\$2.9 million or 14.4% from S\$20.0 million in 1HFY2015 to S\$22.9 million in 1HFY2016, in tandem with the increase in revenue as explained above.

Gross Profit and Gross Profit Margin

Gross profit increased by S\$2.1 million from S\$5.1 million in 1HFY2015 to S\$7.2 million in 1HFY2016. The Group’s Gross profit margin increased from 20.2% in 1HFY2015 to 23.9% in 1HFY2016, mainly due to reduction in the cost of raw materials purchased.

Other income

Other income increased by S\$0.74 million or 316.6% from S\$0.24 million in 1HFY2015 to S\$0.98 million in 1HFY2016 mainly due to an increase in foreign exchange gain, mainly arising from the weakening of Malaysian Ringgit against US Dollars, partially offset by the absence of negative goodwill credited to profit and loss account which was derived in 1HFY2015 arising from the acquisition of Uni-Medical Healthcare Limited.

Marketing and Distribution Expenses

Marketing and distribution expenses increased by S\$0.14 million or 24.5% from S\$0.55 million in 1HFY2015 to S\$0.69 million in 1HFY2016. The increase was due to marketing expenses incurred to continue expanding the Group’s distribution network in the UK, China and Nigeria.

Administrative Expenses

Administrative expenses increased by S\$1.2 million or 53.7% from S\$2.2 million in 1HFY2015 to S\$3.4 million in 1HFY2016, mainly due to increase in personnel costs, corporate expenses, and additional administrative expenses incurred for newly set-up/acquired subsidiaries.

Other Expenses

Other expenses increased by S\$0.42 million or 958.1% from S\$0.04 million in 1HFY2015 to S\$0.46 million in 1HFY2016. The increase was mainly due to foreign exchange loss incurred by subsidiaries in UK and China, as the US Dollar strengthened against the British Pound and Chinese Renminbi.

Share of Profits from Associates

The Group’s share of results of associates amounted to S\$0.4 million in 1HFY2016, an increase of S\$0.08 million as compared to S\$0.32 million in 1HFY2015 due to improved results of the German and US’s associates.

Finance Costs

Finance costs increased by S\$0.02 million or 12.9% from S\$0.16 million in 1HFY2015 to S\$0.18 million in 1HFY2016. The increase was due to additional interest incurred for utilising new trade lines obtained.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 December 2015

Non-current Assets

Non-current assets increased by S\$1.0 million from S\$19.6 million as at 30 June 2015 to S\$20.6 million as at 31 December 2015, due to:

- (a) Acquisition of property, plant and equipment of S\$2.2 million, partially offset by depreciation charge of S\$0.4 million;
- (b) Foreign exchange translation loss of approximately S\$1.2 million resulting from converting Malaysian subsidiaries' property, plant and equipment's net book value; and
- (c) Share of results from associates of S\$0.4 million.

Current Assets

Current assets increased by S\$4.0 million from S\$32.7 million as at 30 June 2015 to S\$36.2 million as at 31 December 2015, mainly due to:

- (a) Increase in inventories by S\$3.0 million or 29.0% from S\$10.2 million as at 30 June 2015 to S\$13.2 million as at 31 December 2015. The increase in inventories was a result of the Group's continuous effort to stock up gloves' inventories in the Group's overseas warehouses to cater for demand of the Group's products without compromising the delivery lead time to end customers.
- (b) Increase in trade and other receivables by S\$1.3 million or 8.8% from S\$14.8 million as at 30 June 2015 to S\$16.1 million as at 31 December 2015. The increase was in line with the increase of revenue during the financial period.
- (c) Decrease in cash and bank balances by S\$0.3 million or 3.7% from S\$7.1 million as at 30 June 2015 to S\$6.8 million as at 31 December 2015.

Equity

Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The increase in equity of \$0.9 million was mainly due to:

- (a) profit attributable to owners of the Company for the financial period of S\$3.2 million,

which was partially offset by:

- (b) decrease in foreign currency translation reserves of S\$2.2 million mainly due to weakening of Malaysian Ringgit (functional currency of major subsidiaries) against Singapore Dollars (presentation currency).

Non-current liabilities

Non-current liabilities decreased by S\$0.7 million from S\$5.0 million as at 30 June 2015 to S\$4.3 million as at 31 December 2015, mainly due to net repayment of term loans.

Current liabilities

Current liabilities increased by S\$4.8 million from S\$9.7 million as at 30 June 2015 to S\$14.4 million as at 31 December 2015, mainly due to:

- (a) Increase of S\$4.6 million from utilisation of new trade financing facilities; and
- (b) Increase of S\$0.2 million in trade and other payables.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1HFY2016, the net cash used in operations amounted to S\$2.02 million. This comprises positive operating cash flows before changes in working capital of S\$3.03 million, adjusted by net working capital outflow of S\$4.46 million, interest and taxes paid of S\$0.18 million and S\$0.42 million respectively. The net working capital outflow was mainly due to increases in inventories of S\$2.96 million and trade and other receivables of S\$1.71 million, which was partially offset by an increase in trade and other payables of S\$0.21 million.

Net cash used in investing activities amounted to S\$2.2 million in 1HFY2016. This was mainly due to the purchases of property, plant and equipment of S\$2.2 million.

Net cash from financing activities amounted to S\$4.35 million in 1HFY2016. This was mainly due to net drawdown of new trade facilities and repayment of term loans of S\$5.05 million and S\$0.7 million respectively.

9. ACTUAL RESULTS VS PROFIT FORECAST

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

10. COMMENTARY OF THE INDUSTRY TREND AND GROUP'S PROSPECT

The Group's expansion plan has been progressing well. The Group is expected to increase its production capacity to cope with the expected market demand for the Group's products. The movement in commodity prices (which affects the price of raw materials of the Group) and fluctuation of US and other currencies which the Group deals with are macro-economics factors which will continue to challenge the Group.

11. DETAILS OF DIVIDEND DECLARED OR RECOMMENDED

Not applicable

12. NEGATIVE STATEMENT IF NO DIVIDEND DECLARED OR RECOMMENDED

No dividend has been declared or recommended.

13. GENERAL MANDATE FOR INTEREST PERSON TRANSACTIONS ("IPT")

The Company does not have IPT mandate from the shareholders.

14. RULE 720(1) OF THE CATALIST LISTING RULES

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in accordance with Rule 720(1) of the Catalist Listing Rules .

15. RULE 705(5) OF THE CATALIST LISTING RULES

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 2015 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

16. 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 2015, the Company wishes to announce that the net proceeds of approximately S\$6.19 million have been fully utilised as follows:

	Amount allocated	Amount utilised	Balance of net proceeds as at 31-Dec-15
	S\$ million	S\$ million	S\$ million
Expansion of production capacity	3.20	3.20	-
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	1.97	-
	<u>6.19</u>	<u>6.19</u>	<u>-</u>

By order of the Board
UG Healthcare Corporation Limited

ANG BENG TECK
Executive Director and CEO

3 February 2016