



UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

HALF YEARLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

*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.*

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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-16 S\$'000 | 31-Dec-15 S\$'000 | |
| Revenue | 30,960 | 30,143 | 2.7 |
| Cost of sales | (26,509) | (22,931) | 15.6 |
| Gross profit | <u>4,451</u> | <u>7,212</u> | <u>(38.3)</u> |
| Other income | 1,026 | 979 | 4.8 |
| | <u>5,477</u> | <u>8,191</u> | <u>(33.4)</u> |
| Marketing and distribution expenses | (872) | (690) | 26.4 |
| Administrative expenses | (3,041) | (3,410) | (10.8) |
| Other expenses | (143) | (455) | (68.6) |
| Finance costs | (251) | (175) | 43.4 |
| Share of profits from associates | 277 | 396 | (30.1) |
| Profit before tax | 1,447 | 3,858 | (62.5) |
| Income tax expense | (235) | (780) | (69.9) |
| Profit for the period | 1,212 | 3,078 | (60.6) |
| Other comprehensive loss | | | |
| Exchange difference on translating foreign operations | (3,300) | (2,140) | 54.2 |
| Total comprehensive (loss)/ income for the period | <u>(2,088)</u> | <u>938</u> | <u>N.M.</u> |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | 1,386 | 3,234 | (57.1) |
| Non-controlling interests | (174) | (156) | 11.5 |
| | <u>1,212</u> | <u>3,078</u> | <u>(60.6)</u> |
| Total comprehensive (loss)/ income attributable to: | | | |
| Owners of the Company | (2,090) | 947 | N.M. |
| Non-controlling interests | (2) | (9) | (77.8) |
| | <u>(2,088)</u> | <u>938</u> | <u>N.M.</u> |
| Earnings per share (cents) | | | |
| Basic and diluted | <u>0.72</u> | <u>1.72</u> | |

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

| | Group | |
|---|----------------|-----------|
| | 6 Months Ended | |
| | 31-Dec-16 | 31-Dec-15 |
| | S\$'000 | S\$'000 |
| Profit for the financial period is arrived at after charging/(crediting) the following: | | |
| Interest income | (17) | (2) |
| Foreign exchange gain – unrealised | (78) | (969) |
| Foreign exchange gain – realised | (874) | - |
| Foreign exchange loss – realised | - | 345 |
| Sundry income | (51) | (8) |
| Interest expense on borrowings | 251 | 175 |
| Allowance for doubtful debts | 3 | - |
| Depreciation | 518 | 442 |
| Under provision of tax in prior years | - | 2 |

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

| | Group | | Company | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | 31-Dec-16 S\$'000 | 30-June-16 S\$'000 | 31-Dec-16 S\$'000 | 30-June-16 S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Subsidiaries | - | - | 30,802 | 30,802 |
| Associates | 5,246 | 5,288 | - | - |
| Property, plant and equipment | 18,842 | 17,078 | - | - |
| Intangible assets | 297 | 297 | - | - |
| Deferred tax assets | 158 | 158 | - | - |
| Total non-current assets | 24,543 | 22,821 | 30,802 | 30,802 |
| Current assets | | | | |
| Inventories | 15,703 | 13,586 | - | - |
| Amount due from subsidiaries | - | - | 28,065 | 26,696 |
| Trade and other receivables | 16,941 | 13,651 | 8 | 9 |
| Cash and bank balances | 4,540 | 5,985 | 631 | 629 |
| Total current assets | 37,184 | 33,222 | 28,704 | 27,334 |
| Total assets | 61,727 | 56,043 | 59,506 | 58,136 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 37,126 | 36,243 | 37,126 | 36,243 |
| Reserve | (35,905) | (32,607) | - | - |
| Retained earnings | 34,793 | 34,510 | 22,282 | 21,784 |
| Equity attributable to the owners of the Company | 36,014 | 38,146 | 59,408 | 58,027 |
| Non-controlling interests | 22 | 198 | - | - |
| Total equity | 36,036 | 38,344 | 59,408 | 58,027 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 1,415 | 1,269 | - | - |
| Bank borrowings | 2,446 | 3,014 | - | - |
| Total non-current liabilities | 3,861 | 4,283 | - | - |
| Current liabilities | | | | |
| Trade and other payables | 9,797 | 5,519 | 98 | 109 |
| Derivative financial instruments | 137 | 143 | - | - |
| Bank borrowings | 11,896 | 7,754 | - | - |
| Total current liabilities | 21,830 | 13,416 | 98 | 109 |
| Total liabilities | 25,691 | 17,699 | 98 | 109 |
| Total equity and liabilities | 61,727 | 56,043 | 59,506 | 58,136 |

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

| | 31-Dec-16 | | 30-June-16 | |
|---|--------------------|----------------------|--------------------|----------------------|
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| Amount repayable in one year or less, or on demand | 11,896 | - | 7,754 | - |
| Amount repayable after one year | 2,446 | - | 3,014 | - |
| Total borrowings | <u>14,342</u> | <u>-</u> | <u>10,768</u> | <u>-</u> |

Details of collaterals

As at 31 December 2016 and 30 June 2016, 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 guarantees; and
- (vi) personal guarantees provided by certain directors and related parties

1(c) **CONSOLIDATED STATEMENT OF CASH FLOWS**

| | Group | |
|--|-----------------------|------------------|
| | 6 Months Ended | |
| | 31-Dec-16 | 31-Dec-15 |
| | S\$'000 | S\$'000 |
| Operating activities | | |
| Profit before income tax | 1,447 | 3,855 |
| Adjustments for: | | |
| Allowance for doubtful debts | 3 | - |
| Share of profits from associates | (277) | (396) |
| Depreciation expense | 518 | 442 |
| Interest expense | 251 | 175 |
| Interest income | (17) | (2) |
| Unrealised exchange differences | (2,325) | (1,042) |
| Operating cash flows before movements in working capital | (400) | 3,032 |
| <i>Movements in working capital</i> | | |
| Inventories | (2,118) | (2,963) |
| Trade and other receivables | (2,789) | (1,710) |
| Trade and other payables | 4,277 | 210 |
| Cash used in operations | (1,030) | (1,431) |
| Interest paid | (251) | (175) |
| Income taxes paid | (592) | (418) |
| Net cash used in operating activities | (1,873) | (2,024) |
| Investing activities | | |
| Acquisition of property, plant and equipment | (2,966) | (2,207) |
| Placement of fixed deposits | (16) | - |
| Interest received | 17 | 2 |
| Net cash used in investing activities | (2,965) | (2,205) |
| Financing activities | | |
| Net drawdown of borrowings (Net) | 3,487 | 4,351 |
| Dividend paid | (197) | - |
| Net cash from financing activities | 3,290 | 4,351 |
| Net (decrease)/increase in cash and cash equivalents | (1,548) | 122 |
| Cash and cash equivalents at beginning of financial period | 5,406 | 5,905 |
| Effects on currency translation on cash and cash equivalents | 595 | 125 |
| Cash and cash equivalents at end of financial period | 4,453 | 6,152 |
| Cash and cash equivalents comprised the following: | | |
| Cash and bank balances | 4,540 | 6,839 |
| Less: Fixed deposits pledged to bank | - | (687) |
| Less: Bank overdrafts | (87) | - |
| | 4,453 | 6,152 |

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

| | Group | | | | | | |
|---|---------------------------------------|---|---------------------------------|---------|------------------|---|------------------|
| | Attributable to owners of the Company | | | | Total S\$'000 | Non- controlling interests S\$'000 | Total 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 2016 | 36,243 | (25,940) | (6,667) | 34,510 | 38,146 | 198 | 38,344 |
| Issuance of shares, net of expenses directly attributable to issuance of new shares | 883 | - | - | - | 883 | - | 883 |
| Profit for the financial period | - | - | - | 1,387 | 1,387 | (174) | 1,213 |
| Dividend | - | - | - | (1,104) | (1,104) | - | (1,104) |
| Other comprehensive loss | | | | | | | |
| Exchange differences on translating foreign operations | - | - | (3,298) | - | (3,298) | (2) | (3,300) |
| Balance as at 31 December 2016 | 37,126 | (25,940) | (9,965) | 34,793 | 36,014 | 22 | 36,036 |
| 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 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 |

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 2016 | 36,243 | 21,784 | 58,027 |
| Issuance of new shares, net of expenses directly attributable to issuance of new shares | 883 | - | 883 |
| Total comprehensive profit for the period | - | 1,602 | 1,602 |
| Dividend | - | (1,104) | (1,104) |
| Balance as at 31 December 2016 | 37,126 | 22,282 | 59,408 |
| Balance as at 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 |

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 2016 | 188,023,530 | 36,243,188 |
| Issuance of new shares pursuant to the scrip dividend issued | 3,436,524 | 906,382 |
| Expenses directly attributable to issuance of new shares | - | (24,000) |
| Issued and paid-up share capital as at 31 December 2016 | 191,460,054 | 37,125,570 |

As at 31 December 2016 and 31 December 2015, the Company had no outstanding convertibles and treasury shares.

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

| | Company | |
|---|-------------|-------------|
| | 31-Dec-16 | 30-June-16 |
| Total number of issued shares excluding treasury shares | 191,460,054 | 188,023,530 |

As at 31 December 2016 and 30 June 2016, 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 and as at the end of the current financial period reported on.

As at 31 December 2016, 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 2016.

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 2016, 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 2017. 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 | |
|--|-----------------------|-------------|
| | 6 months period ended | |
| | 31-Dec-16 | 31-Dec-15 |
| Profit attributable to owners of the Company (S\$'000) | 1,386 | 3,234 |
| Weighted average number of ordinary shares | 191,460,054 | 188,023,530 |
| Earnings per share (basic and diluted)(cents) | 0.72 | 1.72 |

Diluted earnings per share for the periods ended 31 December 2016 and 31 December 2015 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

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

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 31-Dec-16 | 30-June-16 | 31-Dec-16 | 30-June-16 |
| NAV per share (cents) | 18.82 | 20.39 | 31.03 | 30.86 |
| Total NAV (including non-controlling interests) (S\$'000) | 36,037 | 38,344 | 59,408 | 58,027 |
| Number of ordinary shares used in computation of NAV per share | 191,460,054 | 188,023,530 | 191,460,054 | 188,023,530 |

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue

Revenue increased by approximately S\$0.9 million or 3.0%, from S\$30.1 million in the financial period ended 31 December 2015 (“1HFY2016”) to S\$31.0 million in the financial period ended 31 December 2016 (“1HFY2017”), mainly due to increase in volume of gloves produced and sold, partially mitigated by the decreased average selling price.

The Group’s expansion of production capacity to 2.4 billion gloves per annum within the financial year ending 30 June 2017 is on track. The new production lines adding to the new capacity have been progressively coming on stream in 1HFY 2017. However, this was mitigated by the temporary reduction of capacity of certain older production lines for upgrading to increase productivity and efficiency.

Cost of Sales

Cost of sales increased by S\$3.6 million or 15.6% from S\$22.9 million in 1HFY2016 to S\$26.5 million in 1HFY2017, in tandem with the increase in revenue and rising raw material costs, in particular, the natural latex and nitrile prices had increased significantly as a result of the floods in Thailand and shortage in supply, coupled with the increase in gas tariff led to a 15.6% increase in cost of sales to S\$26.5 million.

Gross Profit and Gross Profit Margin

Gross profit reduced by S\$2.8 million from S\$7.2 million in 1HFY2016 to S\$4.5 million in 1HFY2017. The Group’s gross profit margin reduced from 23.9% in 1HFY2016 to 14.3% in 1HFY2017, mainly due to increasing cost of raw materials purchased.

Other income

Other income increased by S\$0.05 million or 4.8% from S\$0.98 million in 1HFY2016 to S\$1.03 million in 1HFY2017 mainly due to an increase in realised foreign exchange gain, which was the results of Ringgit Malaysia weakening against the US Dollars, mitigated by the decrease in unrealised foreign exchange gain.

Marketing and Distribution Expenses

Marketing and distribution expenses increased by S\$0.18 million or 26.2% from S\$0.69 million in 1HFY2016 to S\$0.87 million in 1HFY2017. 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 reduced by S\$0.4 million or 10.8% from S\$3.4 million in 1HFY2016 to S\$3.0 million in 1HFY2017, mainly due the Group’s continuous efforts to streamline its administrative expenses and lower corporate expenses incurred, mitigated by the increase in depreciation charge as a result of construction of new production lines.

Other Expenses

Other expenses reduced by S\$0.31 million or 68.5% from S\$0.45 million in 1HFY2016 to S\$0.14 million in 1HFY2017. The decrease is mainly due to reduction in bank charges incurred by the Group's subsidiaries in Nigeria, Shanghai and the United Kingdom. The absence of realised and unrealised foreign exchange loss also contributed to a reduction in other expenses for 1HFY2017.

Finance Costs

Finance costs increased by S\$0.08 million or 43.3% from S\$0.18 million in 1HFY2016 to S\$0.25 million in 1HFY2017. The increase was due to an increase in the amount of bank loans from a new bank facility obtained by UGHC Marketing (Singapore).

Share of Profits from Associates

The Group's share of results of associates amounted to S\$0.28 million in 1HFY2017, a decrease of S\$0.12 million as compared to S\$0.4 million in 1HFY2016 due to lower profits of the German and US's associates, coupled with weakened Euro against the Singapore Dollars.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 December 2016

Non-current Assets

Non-current assets increased by S\$1.7 million from S\$22.8 million as at 30 June 2016 to S\$24.5 million as at 31 December 2016, mainly due to acquisition of property, plant and equipment of S\$3.0 million, partially offset by depreciation charge of S\$0.5 million and foreign exchange translation loss of approximately S\$0.7 million resulting from converting Malaysian subsidiaries' property, plant and equipment's net book value.

Current Assets

Current assets increased by S\$4.0 million from S\$33.2 million as at 30 June 2016 to S\$37.2 million as at 31 December 2016, mainly due to:

- (a) Increase in inventories by S\$2.1 million or 15.6% from S\$13.6 million as at 30 June 2016 to S\$15.7 million as at 31 December 2016. 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\$3.3 million or 24.1% from S\$13.7 million as at 30 June 2016 to S\$17.0 million as at 31 December 2016. The increase was due to the longer credit term given to long term customers and increase in tax recoverable from tax authority in Malaysia.
- (c) Decrease in cash and bank balances by S\$1.5 million or 25.0% from S\$6.0 million as at 30 June 2016 to S\$4.5 million as at 31 December 2016.

Equity

Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The decrease in equity of \$2.3 million was mainly due to:

- (a) scrip dividend issued of S\$1.0 million
- (b) profit attributable to owners of the Company for the financial period of S\$1.4 million, which was partially offset by:
- (c) dividend paid of S\$1.1 million;
- (d) decrease in share of results by non-controlling interests of S\$0.2 million; and
- (e) decrease in foreign currency translation reserves of S\$3.3 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\$0.4 million from S\$4.3 million as at 30 June 2016 to S\$3.9 million as at 31 December 2016, mainly due to repayment of term loans.

Current liabilities

Current liabilities increased by S\$8.4 million from S\$13.4 million as at 30 June 2016 to S\$21.8 million as at 31 December 2016, mainly due to:

- (a) Increase of S\$4.1 million of bank borrowings from a new bank facility obtained; and
- (b) Increase of S\$4.3 million in trade and other payables.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1HFY2017, the net cash used in operations amounted to S\$1.87 million. This comprises negative operating cash flows before changes in working capital of S\$0.40 million, adjusted by net working capital outflow of S\$0.65 million, interest and taxes paid of S\$0.25 million and S\$0.59 million respectively. The net working capital outflow was mainly due to increases in inventories and trade and other receivables of S\$2.12 million and S\$2.78 million respectively. The net working capital outflow was partially offset by increases in trade and other payables of S\$4.28 million.

Net cash used in investing activities amounted to S\$3.0 million in 1HFY2017. This was mainly due to the purchases of property, plant and equipment of S\$3.0 million.

Net cash from financing activities amounted to S\$3.29 million in 1HFY2017. This was mainly due to a net drawdown of new bank facility obtained and repayment of term loans of S\$3.49 million and offset by the payment of cash dividend of S\$0.20 million.

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 increase in market demand for the Group's products. The Group is on track with achieving its target annual production capacity of 2.4 billion gloves by the end of the financial year ending 30 June 2017. 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 an 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 2016 to be false or misleading in any material aspect.

On behalf of the Board,

LEE KECK KEONG
Executive Director and CEO

LEE JUN YIH
Executive Director

By order of the Board
UG Healthcare Corporation Limited

LEE KECK KEONG
Executive Director and CEO

8 February 2017