UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

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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 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.

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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- THIRD QUARTER ("3QFY2018") AND 9 MONTHS ENDED 31 MARCH 2018 ("9MFY2018")

	3QFY2018 3 months ended			9MFY2018 9 months ended		
	31-Mar-18 S$'000	31-Mar-17 S$'000	Increase/ (Decrease) %	31-Mar-18 S$'000	31-Mar-17 S$'000	Increase/ (Decrease) %
Revenue	19,361	17,578	10.1	55,909	48,538	15.2
Cost of sales	(16,046)	(14,295)	12.2	(46,370)	(40,803)	13.6
Gross profit	3,315	3,283	1.0	9,539	7,735	23.3
Other income	683	440	55.2	1,680	1,466	14.6
	3,998	3,723	7.4	11,219	9,201	21.9
Marketing and distribution expenses	(622)	(304)	>100.0	(1,360)	(968)	40.5
Administrative expenses	(2,142)	(1,717)	24.8	(6,317)	(4,966)	27.2
Other expenses	(28)	(966)	(97.1)	(85)	(1,109)	(92.3)
Finance costs	(216)	(153)	41.2	(514)	(404)	27.2
Share of profits from associates	254	301	(15.6)	575	578	(0.5)
Profit before tax	1,244	884	40.7	3,518	2,332	50.9
Income tax expense	(43)	(139)	(69.1)	(384)	(373)	2.9
Profit for the period	1,201	745	61.2	3,134	1,959	60.0
Other comprehensive income/(loss)						
Exchange difference on translating foreign operations	2,603	128	>100.0	1,412	(3,174)	N.M.
Total comprehensive income/(loss) for the period	3,804	873	>100.0	4,546	(1,215)	N.M.
Profit/(loss) attributable to:						
Owners of the Company	1,104	946	16.7	3,006	2,334	28.8
Non-controlling interests	97	(201)	N.M	128	(375)	N.M.
	1,201	745	61.2	3,134	1,959	60.0
Total comprehensive income/(loss) attributable to:						
Owners of the Company	3,717	866	>100.0	4,437	(1,224)	N.M.
Non-controlling interests	87	7	>100.0	109	9	>100.0
	3,804	873	>100.0	4,546	(1,215)	N.M.
Earnings per share (cents)						
Basic and diluted	0.58	0.49		1.57	1.22	

N.M. – not meaningful

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

	3QFY2018 3 months ended			9MFY2018 9 months ended		
	31-Mar-18 S$'000	31-Mar-17 S$'000	Increase/ (Decrease) %	31-Mar-18 S$'000	31-Mar-17 S$'000	Increase/ (Decrease) %
Interest income	(5)	(6)	(16.7)	(25)	(25)	N.M
Foreign exchange gain – unrealised	(116)	(386)	(69.9)	(613)	(463)	32.4
Foreign exchange gain – realised	(544)	(46)	>100.0	(1,008)	(921)	9.4
Foreign exchange loss – unrealised	-	860	N.M.	-	860	N.M.
Foreign exchange loss – realised	1	167	(99.4)	9	167	(94.6)
Sundry income	(18)	(2)	>100.0	(34)	(57)	(40.4)
Interest expense on borrowings	216	153	41.2	514	404	27.2
Allowance for doubtful debts	-	-	N.M.	-	3	N.M.
Depreciation	397	285	39.3	1,101	803	37.1
Property, plant and equipment written off	156	-	N.M.	366	-	N.M.
Amortisation of intangible assets	2	-	N.M.	7	-	N.M.

N.M. – not meaningful

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

	Group		Company	
	31-Mar-18 S$'000	30-June-17 S$'000	31-Mar-18 S$'000	30-June-17 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	33,091	33,091
Associates	5,850	5,578	-	-
Property, plant and equipment	21,773	19,164	-	-
Intangible assets	255	261	-	-
Deferred tax assets	437	396	-	-
Total non-current assets	28,315	25,399	33,091	33,091
Current assets				
Inventories	18,938	15,699	-	-
Amount due from subsidiaries	-	-	19,015	20,486
Trade and other receivables	23,413	21,289	40	2
Derivative financial assets	339	316	-	-
Cash and bank balances	6,121	3,538	527	537
Total current assets	48,811	40,842	19,582	21,025
Total assets	77,126	66,241	52,673	54,116
EQUITY AND LIABILITIES				
Equity				
Share capital	37,126	37,126	37,126	37,126
Reserves	(34,316)	(35,842)	95	-
Retained earnings	38,856	35,850	15,368	16,877
Equity attributable to the owners of the Company	41,666	37,134	52,589	54,003
Non-controlling interests	34	(75)	-	-
Total equity	41,700	37,059	52,589	54,003
Non-current liabilities				
Deferred tax liabilities	1,651	1,535	-	-
Bank borrowings	4,407	1,654	-	-
Total non-current liabilities	6,058	3,189	-	-
Current liabilities				
Trade and other payables	12,067	8,760	84	113
Bank borrowings	17,301	17,233	-	-
Total current liabilities	29,368	25,993	84	113
Total liabilities	35,426	29,182	84	113
Total equity and liabilities	77,126	66,241	52,673	54,116

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

	31-March-18		30-June-17	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	17,301	-	17,233	-
Amount repayable after one year	4,407	-	1,654	-
Total borrowings	21,708	-	18,887	-

Details of collaterals

As at 31 March 2018 and 30 June 2017, 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) corporate guarantees; and
(v) personal guarantees provided by certain directors, related parties and a third party

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	3QFY2018 3 Months Ended		9MFY2018 9 months ended	
	31-Mar-18 S$'000	31-Mar-17 S$'000	31-Mar-18 S$'000	31-Mar-17 S$'000
Operating activities				
Profit before income tax	1,244	884	3,518	2,332
Adjustments for:				
Share of profits from associates	(254)	(301)	(575)	(578)
Depreciation expense	397	285	1,101	803
Allowance for doubtful debts	-	-	-	3
Interest expense	216	153	514	404
Interest income	(5)	(6)	(25)	(25)
Property, plant and equipment written off	156	-	366	-
Unrealised exchange differences	2,033	264	1,715	(2,062)
Operating cash flows before movements in working capital	3,787	1,279	6,614	877
Movements in working capital				
Inventories	(2,141)	(1,468)	(3,239)	(3,585)
Trade and other receivables	(1,872)	(2,840)	(1,903)	(5,629)
Trade and other payables	222	666	2,005	4,943
Cash (used in)/from operations	(4)	(2,363)	3,477	(3,394)
Interest paid	(216)	(153)	(514)	(404)
Income taxes paid	(327)	(205)	(878)	(798)
Net cash (used in)/from operating activities	(547)	(2,721)	2,085	(4,596)
Investing activities				
Acquisition of property, plant and equipment	(1,449)	(510)	(2,635)	(3,477)
Dividend received	-	-	285	-
Withdrawal/(Placement) of fixed deposits	(30)	882	(538)	867
Interest received	5	6	26	25
Net cash (used in)/from investing activities	(1,474)	378	(2,862)	(2,585)
Financing activities				
Drawdown of borrowings	10,884	10,482	31,796	29,524
Repayment of borrowings	(7,943)	(6,972)	(28,974)	(22,527)
Dividend paid	-	-	-	(197)
Net cash from financing activities	2,941	3,510	2,822	6,800
Net increase/(decrease) in cash and cash equivalents	920	1,168	2,045	(381)
Cash and cash equivalents at beginning of financial period	5,172	4,453	3,538	5,406
Effects on currency translation on cash and cash equivalents	29	(884)	538	(288)
Cash and cash equivalents at end of financial period	6,121	4,737	6,121	4,737
Cash and cash equivalents comprised the following:				
Cash and bank balances	6,121	4,737	6,121	4,737

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

	Group							
	Attributable to owners of the Company							
	Share capital	Merger reserve	Foreign currency translation reserves	Share-based payment reserve	Retained earnings	Total	Non-controlling interests	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance as at 1 July 2017	37,126	(25,940)	(9,902)	-	35,850	37,134	(75)	37,059
Share option	-	-	-	95	-	95	-	95
Profit for the financial period	-	-	-	-	3,006	3,006	128	3,134
Other comprehensive loss								
Exchange differences on translating foreign operations	-	-	1,431	-	-	1,431	(19)	1,412
Balance as at 31 March 2018	37,126	(25,940)	(8,471)	95	38,856	41,666	34	41,700
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	-	-	-	-	2,334	2,334	(375)	1,959
Dividend	-	-	-	-	(1,104)	(1,104)	-	(1,104)
Other comprehensive loss								
Exchange differences on translating foreign operations	-	-	(3,174)	-	-	(3,174)	9	(3,165)
Balance as at 31 March 2017	37,126	(25,940)	(9,841)	-	35,740	37,085	(168)	36,917

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

	Company			
	Share capital	Share-based payment reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
Balance as at 1 July 2017	37,126	-	16,877	54,003
Share option	-	95	-	95
Total comprehensive loss for the period	-	-	(1,509)	(1,509)
Balance as at 31 March 2018	37,126	95	15,368	52,589
Balance as at 1 July 2016	36,243	-	21,784	58,027
Issuance of shares, net of expenses directly attributable to issuance of new shares	883	-	-	883
Total comprehensive income for the period	-	-	(3,834)	(3,834)
Dividend	-	-	(1,104)	(1,104)
Balance as at 31 March 2017	37,126	-	16,846	53,972

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 30 June 2017	191,460,054	37,125,570
Issued and paid-up share capital as at 31 March 2018	191,460,054	37,125,570

There were no changes to the Company's issued and paid up share capital from 31 December 2017 to 31 March 2018. Other than the 1,570,000 share options granted to eligible employee on 28 August 2015 under the Unigloves Employee Share Option Scheme, the Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 31 March 2018 and 31 March 2017 respectively.

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

	Company	
	31-March-18	30-June-17
Total number of issued shares excluding treasury shares	191,460,054	191,460,054

As at 31 March 2018 and 30 June 2017, the Company did not have treasury shares.

1(d)(iv) TREASURY SHARES

There were no sales, transfers, cancellation and / or use of treasury shares during and as at the end of the current financial period reported on. As at 31 March 2018, the Company did not hold any of its issued shares as treasury shares.

1(d)(v) SUBSIDIARY HOLDINGS

There were no sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current financial period reported on. As at 31 March 2018, the Company did not have any subsidiary holdings.

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 2017.

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 2017, except for the adoption of the Financial Reporting Standard (FRS) which become effective for the financial year beginning on or after 1 January 2017. The adoption of these revised 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

	3QFY2018		9MFY2018	
	Three months ended		Nine months ended	
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Profit attributable to owners of the Company (S$'000)	1,104	946	3,006	2,334
Number of shares				
Weighted average number of ordinary shares for the purpose of				
Basic share	191,460,054	191,460,054	191,460,054	191,460,054
Effect of dilution from share options	144,440	429,552	144,440	429,552
Diluted share	191,604,494	191,889,606	191,604,494	191,889,606
Earnings per share (cents)				
Basic and diluted	0.58	0.49	1.57	1.22

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

	Group		Company	
	31-Mar-18	30-June-17	31-Mar-18	30-June-17
NAV per share (cents)	21.78	19.36	27.47	28.21
Total NAV (including non-controlling interests) (S$'000)	41,700	37,059	52,589	54,003
Number of ordinary shares used in computation of NAV per share	191,460,054	191,460,054	191,460,054	191,460,054

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue

Revenue increased by approximately S$7.4 million or 15.2%, from S$48.5 million in the nine months ended 31 March 2017 ("**9MFY2017**") to S$55.9 million in the nine months ended 31 March 2018 ("**9MFY2018")** mainly due to increase in production and sales of gloves.

For the third quarter ended 31 March 2018 ("**3QFY2018"**), revenue generated amounted to S$19.4 million as compared to S$17.6 million for the third quarter ended 31 March 2017 ("**3QFY2017**") mainly due to increase in production and sales of gloves.

Cost of Sales

Cost of sales increased by approximately S$5.6 million from S$40.8 million in 9MFY2017 to S$46.4 million in 9MFY2018, in tandem with the increase in revenue.

In 3QFY2018, cost of sales increased to S$16.0 million as compared to S$14.3 million in 3QFY2017, representing a 12.2% increase, in tandem with the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately S$1.8 million or 23.3% from S$7.7 million in 9MFY2017 to S$9.5 million in 9MFY2018. The Group's gross profit margin increased from 15.9% in 9MFY2017 to 17.1% in 9MFY2018 mainly due to reduction in raw material prices.

Gross profit increased slightly by S$0.03 million or 1% from S$3.28 million in 3QFY2017 to S$3.31 million in 3QFY2018. The Group's gross profit margin decreased from 18.7% in 3QFY2017 to 17.1% in 3QFY2018 mainly due to a delay in increasing the sales price of products which were committed to customers few months before delivery.

Other income
Other income increased by approximately S$0.2 million from S$1.5 million in 9MFY2017 to S$1.7 million in 9MFY2018 mainly due to increase in unrealised and realised gain from foreign exchange as Great British Pound, Euro and Renminbi have strengthened against US dollar.

Other income increased by approximately S$0.24 million or 55.2% from S$0.44 million in 3QFY2017 to S$0.68 million in 3QFY2018 mainly due to increase in realised gain from foreign exchange.

Marketing and Distribution Expenses
Marketing and distribution expenses increased by S$0.4 million or 40.5% from S$1.0 in 9MFY2017 to S$1.4 million in 9MFY2018 as the Group continued to expand its distribution network.

Accordingly, marketing and distribution expenses increased by approximately S$318,000 from S$304,000 in 3QFY2017 to S$622,000 in 3QFY2018.

Administrative Expenses
Administrative expenses increased by approximately S$1.4 million or 27.2% from S$5.0 million in 9MFY2017 to S$6.3 million in 9MFY2018 mainly due to administrative expenses incurred for expansion of the distribution networks in the UK, China and Nigeria.

As aforementioned, administrative expenses increased by approximately S$0.4 million or 24.8% from S$1.7 million in 3QFY2017 to S$2.1 million in 3QFY2018 due to the reason as set out above.

Other Expenses
Other expenses reduced by approximately S$1.0 million from S$1.1 million in 9MFY2017 to S$0.09 million in 9MFY2018, mainly due to the reduction in factoring and miscellaneous charges.

In 3QFY2018, other expenses reduced to S$28,000 from S$966,000 in 3QFY2017 mainly due to the reason stated above.

Finance Costs
Finance costs increased by approximately S$110,000 or 27.2% from S$404,000 in 9MFY2017 to S$514,000 in 9MFY2018, due to the increased usage of trade facilities.

Finance costs remained constant at approximately S$0.2 million in 3QFY2018 and 3QFY2017.

Share of Profits from Associates
The Group's share of profits from associates remained fairly consistent for both 9MFY2018 and 9MFY2017 at S$0.6 million.

Share of profits from associates decreased by S$47,000 from S$301,000 in 3QFY2017 to S$254,000 in 3QFY2018 due to the lower profits reported by the associates.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 March 2018

Non-current Assets
Non-current assets increased by approximately S$2.9 million from S$25.4 million as at 30 June 2017 to S$28.3 million as at 31 March 2018, mainly due to acquisition of property, plant and equipment of S$2.6 million.

Current Assets
Current assets increased by approximately S$8.0 million from S$40.8 million as at 30 June 2017 to S$48.8 million as at 31 March 2018, mainly due to:

(a) Increase in cash and bank balances by S$2.6 million or 73.0% from S$3.5 million as at 30 June 2017 to S$6.1 million as at 31 March 2018;
(b) Increase in inventories of S$3.2 million or 20.6% from S$15.7 million as at 30 June 2017 to S$18.9 million as at 31 March 2018 as the Group stock up its products at its own overseas distribution network; and
(c) Increase in trade and other receivables of S$2.1 million or 10.0% from S$21.3 million as at 30 June 2017 to S$23.4 million as at 31 March 2018, mainly due to increase in sales of gloves.

Equity
Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The total equity of the Group increased by approximately S$4.6 million or 12.5% from S$37.1 million as at 30 June 2017 to S$41.7 million as at 31 March 2018.

Non-current Liabilities
Non-current liabilities increased by approximately S$2.9 million from S$3.2 million as at 30 June 2017 to S$6.1 million as at 31 March 2018, mainly due to drawdown of new term loan facilities, which will be used for the Group's expansion of its production facility.

Current Liabilities
Current liabilities increased by S$3.4 million from S$26.0 million as at 30 June 2017 to S$29.4 million as at 31 March 2018, mainly due to the increase of S$3.3 million in trade and other payables. The increase is mainly attributed to increase in raw materials purchased to accommodate the increase in production and in tandem with the increase in inventories as abovementioned.

(C) REVIEW OF GROUP'S CASH FLOWS

In 9MFY2018, the net cash generated from operations amounted to S$2.1 million. This comprises of positive operating cash flows before changes in working capital of approximately S$6.6 million, net working capital outflow of S$3.1 million and by interest and taxes paid of S$0.5 million and S$0.9 million respectively. The net working capital outflow was mainly due to increase in inventories and trade and other receivables of S$3.2 million and S$1.9 million respectively, offset by increase in trade and other payables of S$2.0 million.

Net cash used in investing activities amounted to S$2.9 million in 9MFY2018. This was due to the purchases of property, plant and equipment of S$2.6 million, increase in the placement of fixed deposits of S$0.5 million, and partially offset by dividend received from the German associate of S$0.3 million.

Net cash from financing activities amounted to S$2.8 million in 9MFY2018. This was due to drawdown of borrowings from trade and term loan facilities of $31.8 million mainly for the new production lines, partially offset by repayment of total borrowings of S$29.0 million.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S$2.6 million in cash and cash equivalents for 9MFY2018.

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 is progressing well. The new factory and production lines, which is able to generate another 500 million gloves per annum and increasing the Group's current production capacity to 2.9 billion gloves per annum, is expected to commence production in June/July 2018. The overseas distribution network expansion plan is expected to gain pace for the next financial year as they start contributing profits to the Group. The Group is also looking forward to expand its distribution network in South America's market.

Volatile movements in commodity prices that affect prices of raw materials and fluctuations in the US dollar and other currencies that the Group deals with, will continue to be a challenge to the Group. The Group expects the raw material prices to be fairly stable for the foreseeable future.

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 INTERESTED PERSON TRANSACTION ("IPT")

The Company has not obtained any 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 unaudited financial results for the third quarter and nine months financial period ended 31 March 2018 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

10 May 2018