UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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 ("3QFY2019") AND 9 MONTHS ENDED 31 MARCH 2019 ("9MFY2019")

	3QFY2019 3 months ended			9MFY2019 9 months ended		
	31-Mar-19 S$'000	31-Mar-18 S$'000	Increase/ (Decrease) %	31-Mar-19 S$'000	31-Mar-18 S$'000	Increase/ (Decrease) %
Revenue	23,688	19,361	22.3	65,084	55,909	16.4
Cost of sales	(18,932)	(16,046)	18.0	(51,663)	(46,370)	11.4
Gross profit	4,756	3,315	43.5	13,421	9,539	40.7
Other income	459	683	(32.8)	1,773	1,680	5.5
	5,215	3,998	30.4	15,194	11,219	35.4
Marketing and distribution expenses	(781)	(622)	25.6	(1,901)	(1,360)	39.8
Administrative expenses	(3,186)	(2,142)	48.7	(8,491)	(6,317)	34.4
Other expenses	(207)	(28)	>100.0	(1,815)	(85)	>100.0
Finance costs	(463)	(216)	>100.0	(1,232)	(514)	>100.0
Share of profits from associates	223	254	(12.2)	555	575	(3.5)
Profit before tax	801	1,244	(35.6)	2,310	3,518	(34.3)
Income tax expense	(182)	(43)	>100.0	(622)	(384)	62.0
Profit for the period	619	1,201	(48.5)	1,688	3,134	(46.1)
Other comprehensive income/(loss)						
Exchange difference on translating foreign operations	534	2,603	(79.5)	(915)	1,412	N.M.
Total comprehensive income for the period	1,153	3,804	(69.7)	773	4,546	(83.0)
Profit/(loss) attributable to:						
Owners of the Company	648	1,104	(41.3)	1,968	3,006	(34.5)
Non-controlling interests	(29)	97	N.M.	(280)	128	N.M.
	619	1,201	(48.5)	1,688	3,134	(46.1)
Total comprehensive income attributable to:						
Owners of the Company	1,153	3,717	(69.0)	1,168	4,437	(73.7)
Non-controlling interests	-	87	N.M.	(395)	109	N.M.
	1,153	3,804	(69.7)	773	4,546	(83.0)
Earnings per share (cents)						
Basic	0.34	0.58		1.02	1.57	
Diluted	0.34	0.58		1.02	1.57	

N.M. – not meaningful

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

	3QFY2019 3 months ended			9MFY2019 9 months ended		
	31-Mar-19 S$'000	31-Mar-18 S$'000	Increase/ (Decrease) %	31-Mar-19 S$'000	31-Mar-18 S$'000	Increase/ (Decrease) %
Interest income	(27)	(5)	>100.0	(48)	(25)	92.0
Fair value gain on financial derivative	(627)	-	N.M.	(1,012)	-	N.M.
Net foreign exchange loss/(gain) – unrealised	161	(116)	N.M.	1,691	(613)	N.M.
Net foreign exchange loss/(gain) – realised	217	(543)	N.M.	(632)	(999)	(36.7)
Sundry income	(21)	(18)	16.7	(80)	(34)	>100.0
Interest expense on borrowings	463	216	>100.0	1,233	514	>100.0
Allowance for doubtful debts	-	-	N.M.	1	-	N.M.
Depreciation	366	397	(7.8)	1,021	1,101	(7.3)
Property, plant and equipment written off	39	156	75.0	571	366	56.0
Amortisation of intangible assets	6	2	>100.0	10	7	42.9
Loss on disposal of property, plant and equipment	-	-	N.M.	12	-	N.M.

N.M. – not meaningful

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

	Group		Company	
	31-Mar-19 S$'000	30-June-18 S$'000	31-Mar-19 S$'000	30-June-18 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	32,621	32,621
Associates	5,724	5,869	-	-
Property, plant and equipment	26,643	23,364	-	-
Intangible assets	304	251	-	-
Deferred tax assets	411	516	-	-
Total non-current assets	33,082	30,000	32,621	32,621
Current assets				
Inventories	30,077	22,130	-	-
Amount due from subsidiaries	-	-	18,041	18,063
Trade and other receivables	25,401	26,323	37	16
Derivative financial assets	274	-	-	-
Cash and bank balances	5,693	6,731	152	528
Total current assets	61,445	55,184	18,230	18,607
Total assets	94,527	85,184	50,851	51,228
EQUITY AND LIABILITIES				
Equity				
Share capital	37,628	37,126	37,473	37,126
Reserve	(36,264)	(35,354)	155	110
Retained earnings	41,743	40,185	13,114	13,859
Equity attributable to the owners of the Company	43,107	41,957	50,742	51,095
Non-controlling interests	(579)	(83)	-	-
Total equity	42,528	41,874	50,742	51,095
Non-current liabilities				
Deferred tax liabilities	2,075	2,092	-	-
Bank borrowings	5,070	5,478	-	-
Total non-current liabilities	7,145	7,570	-	-
Current liabilities				
Trade and other payables	13,636	13,625	109	133
Derivative financial liabilities	-	753		-
Bank borrowings	31,218	21,362	-	
Total current liabilities	44,854	35,740	109	133
Total liabilities	51,999	43,310	109	133
Total equity and liabilities	94,527	85,184	50,851	51,228

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

	31-March-19		30-June-18	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	31,218	-	21,362	-
Amount repayable after one year	5,070	-	5,478	-
Total borrowings	36,288	-	26,840	-

Details of collaterals

As at 31 March 2019 and 30 June 2018, 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; and
(v) corporate guarantees

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	3QFY2019 3 Months Ended		9MFY2019 9 months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	S$'000	S$'000	S$'000	S$'000
Operating activities				
Profit before income tax	801	1,244	2,310	3.518
Adjustments for:				
Amortisation of intangible assets	6	2	10	7
Property, plant and equipment written off	39	156	571	366
Loss on disposal of property, plant and equipment	-	-	12	-
Depreciation expense	366	397	1,021	1,101
Allowance for doubtful debts	-	-	1	-
Interest expense	463	216	1,233	514
Interest income	(27)	(5)	(48)	(25)
Share of profits from associates	(223)	(254)	(555)	(575)
Fair value loss on financial derivatives	(627)	-	(1,012)	-
Unrealised exchange differences	176	2,031	(453)	1,708
Operating cash flows before movements in working capital	974	3,787	3,090	6,614
Movements in working capital				
Inventories	(1,481)	(2,141)	(7,947)	(3,239)
Trade and other receivables	1,368	(1,872)	1,117	(1,903)
Trade and other payables	(2,092)	222	(376)	2,005
Cash (used in)/from operations	(1,231)	(4)	(4,116)	3,477
Interest paid	(463)	(216)	(1,233)	(514)
Income taxes paid	(132)	(327)	(323)	(878)
Net cash (used in)/from operating activities	(1,826)	(547)	(5,672)	2,085
Investing activities				
Acquisition of property, plant and equipment	(751)	(1,449)	(5,027)	(2,635)
Additional of intangible assets	-	-	(65)	-
Dividend received	-	-	332	285
Placement of fixed deposits	(25)	(30)	(23)	(538)
Interest received	27	5	48	26
Net cash used in investing activities	(749)	(1,474)	(4,735)	(2,862)
Financing activities				
Drawdown of borrowings	21,525	10,884	61,127	31,796
Repayment of borrowings	(18,853)	(7,943)	(51,679)	(28,974)
Dividend paid	-	-	(103)	-
Net cash from financing activities	2,672	2,941	9,345	2,822
Net increase/(decrease) in cash and cash equivalents	97	920	(1,062)	2,045
Cash and cash equivalents at beginning of financial period	5,570	5,172	6,731	3,538
Effects on currency translation on cash and cash equivalents	26	29	24	538
Cash and cash equivalents at end of financial period	5,693	6,121	5,693	6,121

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

	Attributable to equity holders of the Company							
	Share capital S$'000	Currency translation reserves S$'000	Merger reserve S$'000	Share-based payment reserve S$'000	Retained earnings[1] S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance as at 1 July 2018	37,126	(9,524)	(25,940)	110	40,225	41,997	(184)	41,813
Profit for the year	-	-	-	-	1,968	1,968	(280)	1,688
Other comprehensive (loss)/income								
Exchange differences on translating foreign operations	-	(800)	-	-	-	(800)	(115)	(915)
Total comprehensive (loss)/income for the year	-	(800)	-	-	1,968	1,168	(395)	773
Share option	-	-	-	45	-	45	-	45
Issuance of shares, net of expenses directly attributable to issuance of new shares	347	-	-	-	-	347	-	347
Dividend	-	-	-	-	(450)	(450)	-	(450)
Balance as at 31 March 2019	37,473	(10,324)	(25,940)	155	41,743	43,107	(579)	42,528
Balance as at 1 July 2017	37,126	(9,902)	(25,940)	-	35,850	37,134	(75)	37,059
Profit for the year	-	-	-	-	3,006	3,006	128	3,134
Other comprehensive loss								
Exchange differences on translating foreign operations	-	1,431	-	-	-	1,431	(19)	1,412
Total comprehensive (loss)/income for the year	-	1,431	-	-	3,006	4,437	109	4,546
Share option	-	-	-	95	-	95	-	95
Balance as at 31 March 2018	37,126	(8,471)	(25,940)	95	38,856	41,666	34	41,700

[1] The beginning retained earnings as at 1 July 2018 of S$40,225 differs slightly from the retained earnings in the audited financial statements for the financial year ended 30 June 2018 of S$40,185 as a result of audit adjustment from subsidiaries.

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 2018	37,126	110	13,859	51,095
Loss for the year, representing total comprehensive loss for the year	-	-	(295)	(295)
Share option	-	45	-	45
Issuance of shares, net of expenses directly attributable to issuance of new shares	347	-	-	347
Dividend	-	-	(450)	(450)
Balance as at 31 March 2019	37,473	155	13,114	50,742
Balance as at 1 July 2017	37,126	-	16,877	54,003
Loss for the year, representing total comprehensive loss for the year	-	-	(1,509)	(1,509)
Share option	-	95	-	95
Balance as at 31 March 2018	37,126	95	15,368	52,589

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 2018	191,460,054	37,125,570
Issuance of shares pursuant to the UG Healthcare Scrip Dividend Scheme	1,837,477	347,282
Issued and paid up share capital as at 31 March 2019	193,297,531	37,472,852

There were no changes in the Company's share capital from 31 December 2018 to 31 March 2019. 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 2019 and 31 March 2018 respectively.

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

	Company	
	31-March-19	30-June-18
Total number of issued shares excluding treasury shares	193,297,531	191,460,054

As at 31 March 2019 and 30 June 2018, 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 2019, 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 2019, 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 2018.

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 year as compared to the audited financial statements as at 30 June 2018, except for the adoption of the Singapore Financial Reporting Standards (International) ("SFRS(I)") and interpretation of SFRS(I) ("INT SFRS(I)"). The adoption of these SRFS(I) and INT SFRS(I) does not result in changes to the Group's accounting policies and does not have material effect on the amounts reported for the current or prior financial years.

6. EARNINGS PER SHARE

	3QFY2019		9MFY2019	
	3 months ended		9 months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Profit attributable to owners of the Company (S$'000)	648	1,104	1,968	3,006
Number of shares				
Weighted average number of ordinary shares for the purpose of				
Basic share	193,297,531	191,460,054	193,297,531	191,460,054
Effect of dilution from share options	(13,956)	144,440	(13,956)	144,440
Diluted share	193,283,575	191,604,494	193,283,575	191,604,494
Earnings per share (cents)				
Basic	0.34	0.58	1.02	1.57
Diluted	0.34	0.58	1.02	1.57

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

	Group		Company	
	31-March-19	30-June-18	31-March-19	30-June-18
NAV per share (cents)	22.00	21.87	26.25	26.69
Total NAV (including non-controlling interests) (S$'000)	42,528	41,874	50,742	51,095
Number of ordinary shares used in computation of NAV per share	193,297,531	191,460,054	193,297,531	191,460,054

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue

Revenue increased by approximately S$9.2 million or 16.4%, from S$55.9 million in the nine months ended 31 March 2018 ("9MFY2018") to S$65.1 million in the nine months ended 31 March 2019 ("9MFY2019"). This was mainly due to the increase in the volume of gloves produced and sold resulting from the commencement of new production lines and expansion of our distribution network.

For the third quarter ended 31 March 2019 ("3QFY2019"), revenue generated increased to S$23.7 million as compared to S$19.4 million for the third quarter ended 31 March 2018 ("3QFY2018"). The increase in revenue of approximately S$4.3 million or 22.3% was mainly due to the same reasons described above.

	Group		
	31-Mar-19	31-Mar-18	Increase/ (decrease)
	S$'000	S$'000	%
Europe	30,897	24,884	24.2
North America	12,043	11,394	5.7
South America	9,696	7,732	25.4
Africa	2,878	1,946	47.9
Asia	6,167	5,503	12.1
Malaysia*	3,403	4,450	(23.5)
Total	65,084	55,909	16.4

Note:
* Malaysia includes revenue from intermediaries that export our products to overseas markets.

Cost of Sales

Cost of sales increased by approximately S$5.3 million or 11.4% from S$46.4 million in 9MFY2018 to S$51.7 million in 9MFY2019, in tandem with the increase in revenue.

In 3QFY2019, cost of sales increased to S$18.9 million as compared to S$16.0 million in 3QFY2018, representing a 18.0% increase, in tandem with the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately S$3.9 million or 40.7% from S$9.5 million in 9MFY2018 to S$13.4 million in 9MFY2019. The Group's gross profit margin increased from 17.1% in 9MFY2018 to 20.6% in 9MFY2019. The increase was mainly due to increase in production efficiency resulting from increase in manufacturing capacity.

Gross profit increased by approximately S$1.5 million or 43.5% from S$3.3 million in 3QFY2018 to S$4.8 million in 3QFY2019. The Group's gross profit margin increased from 17.1% in 3QFY2018 to 20.1% in 3QFY2019 due to the same reason described above.

Other income

Other income increased by approximately S$0.1 million or 5.5% from S$1.7 million in 9MFY2018 to S$1.8 million in 9MFY2019 mainly due to increase in fair value gain on financial derivatives amounting to S$1.0 million as Ringgit has strengthened against US dollar, offset by an absence of unrealised net foreign exchange gain of S$0.6 million and a decrease in net realised foreign exchange gain of S$0.3 million.

Other income decreased by approximately S$0.2 million or 32.8% from S$0.7 million in 3QFY2018 to S$0.5 million in 3QFY2019 mainly due to the absence of realised and unrealised gain from foreign exchange amounting to S$0.7 million, partially offset by a fair value gain on financial derivative of S$0.6 million.

Marketing and Distribution Expenses

Marketing and distribution expenses increased by S$0.5 million or 39.8% from S$1.4 in 9MFY2018 to S$1.9 million in 9MFY2019 as the Group continued to expand its distribution network and increase in marketing campaigns in anticipation of achieving optimal utilisation with its new production capacity.

Accordingly, marketing and distribution expenses increased by approximately S$0.2 million or 25.6% from S$0.6 million in 3QFY2018 to S$0.8 million in 3QFY2019.

Administrative Expenses

Administrative expenses increased by approximately S$2.2 million or 34.4% from S$6.3 million in 9MFY2018 to S$8.5 million in 9MFY2019 mainly due to administrative expenses incurred for expansion of the distribution networks in Brazil, UK, China and Nigeria. The increase in staff costs resulting from hiring of key personnel across all departments had also resulted in an increase of administrative expenses.

As aforementioned, administrative expenses increased by approximately S$1.1 million or 48.7% from S$2.1 million in 3QFY2018 to S$3.2 million in 3QFY2019 due to the reason as set out above.

Other Expenses

Other expenses increased by approximately S$1.7 million from S$85,000 in 9MFY2018 to S$1.8 million in 9MFY2019, mainly due to the unrealised loss from foreign exchange. In particular, the Ringgit, in which most of the Group's trade payables are denominated appreciated.

Accordingly, other expenses increased by approximately S$0.2 million from S$28,000 in 3QFY2018 to S$0.2 million in 3QFY2019.

Finance Costs

Finance costs increased by approximately S$0.7 million from S$0.5 million in 9MFY2018 to S$1.2 million in 9MFY2019, due to the increase in interest arising from utilisation of trade facilities as Group's sales increased. The increase in interest arising from term loan mainly for construction of the new production facility had also resulted in an increase of finance cost.

In 3QFY2019, finance cost increased to S$0.5 million as compared to S$0.2 million in 3QFY2018 due to reasons set out above.

Share of Profits from Associates

The Group's share of profits from associates remained fairly consistent for both 9MFY2019 and 9MFY2018 at S$0.6 million as well as for 3QFY2018 and 3QFY2019 at around S$0.2 million.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 March 2018

Non-current Assets

Non-current assets increased by approximately S$3.1 million from S$30.0 million as at 30 June 2018 to S$33.1 million as at 31 March 2019, mainly due to acquisition of property, plant and equipment of S$3.3 million for the new production facility and partially offset by decrease in associates of approximately S$0.2 million as a result of dividend being paid by the German associated company.

Current Assets

Current assets increased by approximately S$6.2 million from S$55.2 million as at 30 June 2018 to S$61.4 million as at 31 March 2019, mainly due to:

(a) Increase in inventories of S$7.9 million or 35.9% from S$22.1 million as at 30 June 2018 to S$30.1 million as at 31 March 2019 as the Group stock up its products at its own overseas distribution companies; partially offset by

(b) Decrease in trade and other receivables by S$0.9 million or 3.5% from S$26.3 million as at 30 June 2018 to S$25.4 million as at 31 March 2019; and

(c) Decrease in cash and bank balances of S$1.0 million or 15.4% from S$6.7 million as at 30 June 2018 to S$5.7 million as at 31 March 2019.

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$0.6 million or 1.6% from S$41.9 million as at 30 June 2018 to S$42.5 million as at 31 March 2019.

Non-current Liabilities

Non-current liabilities decreased by approximately S$0.5 million from S$7.6 million as at 30 June 2018 to S$7.1 million as at 31 March 2019 due to the repayment of term loan that was used mainly for construction of the new production facility.

Current Liabilities

Current liabilities increased by S$9.2 million from S$35.7 million as at 30 June 2018 to S$44.9 million as at 31 March 2019, mainly due to:

(a) Increase of S$9.8 million or 46.1% in bank borrowings from S$21.4 million as at 30 June 2018 to S$31.2 million as at 31 March 2019 mainly due to increase utilisation of trade facilities and term loan for the construction of the new production facility; partially offset by

(b) Decrease in derivative financial liabilities by S$0.8 from S$0.8 million as at 30 June 2018 to zero as at 31 March 2019 as a result of the Ringgit strengthening against the US Dollar.

(C) REVIEW OF GROUP'S CASH FLOWS

In 9MFY2019, the net cash used in operations amounted to S$5.7 million taking into account the profit before tax of S$2.3 million, adjusted for working capital outflows of S$7.2 million. The increase in net working capital was mainly due to increase in inventories of S$7.9 million and decrease in trade and other payables of S$0.4 million, and was partially offset by decrease in trade and other receivables of S$1.1 million. The Group paid interest and income taxes of around S$1.2 million and S$0.3 million respectively.

Net cash used in investing activities amounted to S$4.7 million in 9MFY2019. This was due to the purchases of property, plant and equipment.

Net cash from financing activities amounted to S$9.3 million in 9MFY2019. This was due to a drawdown of borrowings from trade facilities and term loan amounting to S$61.1 million which was mainly for the construction of new production lines. This was partially offset by the repayment of trade financing of S$51.7 million and the payment of cash dividend of S$0.1 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

Despite the ongoing trade dispute between the US and China, geopolitical uncertainties, fluctuations in raw material prices and currencies, as well as inflationary costs, the Group remains committed to managing and using its best endeavours to overcome the challenges in its business environment.

The Group aims to maximise the value from its integrated supply chain model, which comprises both upstream manufacturing and downstream distribution, to enhance value for its shareholders.

The Group believes that the overall utilisation rate of its production capacity will improve incrementally as the new production lines stabilise to complement with the production schedules of the existing lines. The additional gloves produced by the enhanced production capacity will be marketed and sold through the Group's distribution companies under its proprietary "Unigloves" brand.

To achieve effective branding and marketing, the Group continues to plough resources to strengthen its marketing and distribution infrastructure in anticipation of the increase in the volume of gloves produced.

Upstream Manufacturing

The Phase 1 of the additional production capacity of 500 million gloves per annum has been in full commercialisation since January 2019, raising the Group's total capacity to 2.9 billion gloves per annum. This expansion also enables the Group to schedule major maintenance for some of its existing production lines, which would complete by July 2019.

With the additional production lines in place, the Group is focused on raising production efficiency for its wide range of proprietary "Unigloves" brand of disposable gloves to cater to the demand and support the sales of its downstream distribution network.

The Group is planning to increase its production capacity by another 300 million gloves per annum at the new production facility ("Phase 2"), potentially bringing the Group's total capacity to 3.2 billion gloves per annum. This capacity is expected to come on stream within the second half of FY2020.

Downstream Distribution

The Group continues to drive marketing campaigns to promote its proprietary "Unigloves" brand of disposable gloves through its downstream distribution network. These campaigns will focus driving marketing and sales of its established distribution companies in its key markets of Europe, the US, China, Nigeria and Brazil, where these distribution companies operate their own warehousing and logistics infrastructure.

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 because the Group wants to conserve cash for expansion and growth.

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 2019 to be false or misleading in any material aspect.

By order of the Board
UG Healthcare Corporation Limited

LEE KECK KEONG
Executive Director and CEO

13 May 2019