UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

QUARTERLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

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*This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the **"Sponsor"**).*

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**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- FIRST QUARTER AND 3 MONTHS ENDED 30 SEPTEMBER 2019

	Group Three months ended		
	30-Sep-19	30-Sep-18	Increase/ (Decrease)
	S$'000	S$'000	%
Revenue	26,302	20,344	29.3
Cost of sales	(21,326)	(15,912)	34.0
Gross profit	4,976	4,432	12.3
Other income	50	95	(47.4)
	5,026	4,527	11.0
Marketing and distribution expenses	(764)	(504)	51.6
Administrative expenses	(3,108)	(2,567)	21.1
Other expenses	(944)	(174)	>100
Finance costs	(506)	(362)	39.8
Share of profits from associates	226	235	(3.8)
Profit before tax	(70)	1,155	N.M.
Income tax expense	(178)	(316)	(43.7)
Profit for the period	(248)	839	N.M.
Other comprehensive loss			
Exchange differences on translating foreign operations	(672)	(762)	(11.8)
Total comprehensive income/(loss) for the period	(920)	77	N.M.
Profit/(loss) attributable to:			
Owners of the Company	305	1,038	(70.6)
Non-controlling interests	(553)	(199)	>100
	(248)	839	N.M.
Total comprehensive income/(loss) attributable to:			
Owners of the Company	(323)	403	N.M.
Non-controlling interests	(597)	(326)	83.1
	(920)	77	N.M.
Earnings per share (cents)			
Basic	0.16	0.54	
Diluted	0.16	0.54	

N.M. – not meaningful

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

	Group Three months ended		
	30-Sep-19	30-Sep-18	Increase/ (Decrease)
	S$'000	S$'000	%
Interest income	(39)	(6)	>100
Net foreign exchange loss	894	134	>100
Sundry income	(20)	(89)	(77.5)
Interest expense on borrowings	506	362	39.8
Depreciation	493	373	32.2
Property, plant and equipment written off	106	101	5.0
Amortisation of intangible assets	5	2	>100
Loss on disposal of property, plant and equipment	-	12	N.M.

N.M. – not meaningful

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

	Group		Company	
	30-Sep-19 S$'000	30-Jun-19 S$'000	30-Sep-19 S$'000	30-Jun-19 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	32,621	32,621
Associates	4,169	4,597	-	-
Property, plant and equipment	32,321	32,043	-	-
Intangible assets	288	297	-	-
Deferred tax assets	399	402	-	-
Total non-current assets	37,177	37,339	32,621	32,621
Current assets				
Inventories	34,543	31,031	-	-
Amount due from subsidiaries	-	-	21,299	20,725
Trade and other receivables	23,778	24,052	47	19
Income tax assets	391	1,591		
Derivative financial assets	219	205	-	-
Cash and bank balances	4,862	4,871	156	155
Total current assets	63,793	61,750	21,502	20,899
Total assets	100,970	99,089	54,123	53,520
EQUITY AND LIABILITIES				
Equity				
Share capital	37,473	37,473	37,473	37,473
Reserve	(38,005)	(37,387)	180	170
Retained earnings	42,547	42,242	13,202	12,747
Equity attributable to the owners of the Company	42,015	42,328	50,855	50,390
Non-controlling interests	439	1,036	-	-
Total equity	42,454	43,364	50,855	50,390
Non-current liabilities				
Deferred tax liabilities	3,175	3,201	-	-
Bank borrowings	5,568	6,100	-	-
Total non-current liabilities	8,743	9,301	-	-
Current liabilities				
Derivative financial liabilities	147	-	-	-
Bank borrowings	33,851	32,239	-	-
Trade and other payables	15,775	14,184	181	148
Amount due to subsidiaries	-	-	3,087	2,982
Income tax liabilities	-	1	-	-
Total current liabilities	49,773	46,424	3,268	3,130
Total liabilities	58,516	55,725	3,268	3,130
Total equity and liabilities	100,970	99,089	54,123	53,520

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

	30-Sep-19		30-Jun-19	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	33,851	-	32,239	-
Amount repayable after one year	5,568	-	6,100	-
Total borrowings	39,419	-	38,339	-

Details of collaterals

As at 30 September 2019 and 30 June 2019, the Group's borrowings were secured by:

(i) motor vehicles;
(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

	Group	
	Three months ended	
	30-Sep-19	30-Sep-18
	S$'000	S$'000
Operating activities		
(Loss)/Profit before income tax	(70)	1,155
Adjustments for:		
Amortisation of intangible assets	5	2
Property, plant and equipment written off	106	101
Loss on disposal of property, plant and equipment	-	12
Depreciation expense	493	373
Interest expense	506	362
Interest income	(39)	(6)
Share of profits from associates	(226)	(235)
Fair value loss on financial derivatives	148	-
Unrealised exchange differences	88	(111)
Operating cash flows before movements in working capital	1,011	1,653
Movements in working capital		
Inventories	(3,512)	(3,567)
Trade and other receivables	273	(1,724)
Trade and other payables	1,610	690
Cash used in operations	(618)	(2,948)
Interest paid	(506)	(362)
Income taxes refund	999	12
Net cash used in operating activities	(125)	(3,298)
Investing activities		
Acquisition of property, plant and equipment	(1,003)	(2,349)
Addition of intangible assets	-	(26)
(Increase)/Decrease in fixed deposits pledged to bank	(8)	14
Interest received	39	6
Net cash used in investing activities	(972)	(2,355)
Financing activities		
Drawdown of borrowings	21,441	18,235
Repayment of borrowings	(20,361)	(13,919)
Net cash from financing activities	1,080	4,316
Net decrease in cash and cash equivalents	(17)	(1,337)
Cash and cash equivalents at beginning of financial period	4,256	6,116
Effects on currency translation on cash and cash equivalents	-	(4)
Cash and cash equivalents at end of financial period	4,239	4,775
Cash and cash equivalents comprised the following:		
Cash and bank balances	4,862	5,379
Less: Fixed deposits pledged to bank	(623)	(604)
	4,239	4,775

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 S$'000**	**Total S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
Balance as at 1 July 2019	37,473	(11,617)	(25,940)	170	42,242	42,328	1,036	43,364
Profit for the year	-	-	-	-	305	305	(553)	(248)
Other comprehensive (loss)/income								
Exchange differences on translating foreign operations	-	(628)	-	-	-	(628)	(44)	(672)
Total comprehensive (loss)/income for the year	-	(628)	-	-	305	(323)	(597)	(920)
Share option	-	-	-	10	-	10	-	10
Balance as at 30 September 2019	37,473	(12,245)	(25,940)	180	42,547	42,015	439	42,454
Balance as at 1 July 2018	37,126	(9,524)	(25,940)	110	40,193	41,965	(83)	41,882
Profit for the year	-	-	-	-	1,038	1,038	(199)	839
Other comprehensive loss								
Exchange differences on translating foreign operations	-	(635)	-	-	-	(635)	(127)	(762)
Total comprehensive (loss)/income for the year	-	(635)	-	-	1,038	403	(326)	77
Share option	-	-	-	15	-	15	-	15
Balance as at 30 September 2018	37,126	(10,159)	(25,940)	125	41,231	42,383	(409)	41,974

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

	Company			
	Share Capital S$'000	Share-based payment reserve S$'000	Retained earnings S$'000	Total S$'000
Balance as at 1 July 2019	37,473	170	12,747	50,390
Loss for the year, representing total comprehensive loss for the year	-	-	455	455
Share option	-	10	-	10
Balance as at 30 September 2019	37,473	180	13,202	50,855
Balance as at 1 July 2018	37,126	110	13,859	51,095
Loss for the year, representing total comprehensive loss for the year	-	-	(46)	(46)
Share option	-	15	-	15
Balance as at 30 September 2018	37,126	125	13,813	51,064

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 2019	193,297,531	37,472,852
Issued and paid-up share capital as at 30 September 2019	193,297,531	37,472,852

There were no changes to the Company's issued and paid up share capital from 1 July 2019 to 30 September 2019. Other than 1,570,000 share options granted to eligible employees on 28 August 2015 under the Unigloves Employee Share Option Scheme, the Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 30 September 2019 and 30 September 2018 respectively.

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

	Company	
	30-Sep-19	30-Jun-19
Total number of issued shares excluding treasury shares	193,297,531	193,297,531

As at 30 September 2019 and 30 June 2019, 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 30 September 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 30 September 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 2019.

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 2019, 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

	Group Three months ended	
	30-Sep-19	**30-Sep-18**
Profit attributable to owners of the Company (S$'000)	305	1,038
Number of shares		
Weighted average number of ordinary shares for the purpose of		
Basic share	193,297,531	191,460,054
Effect of dilution from share options	(68,575)	330,383
Diluted share	193,228,956	191,790,437
Earnings per share (cents)		
Basic	0.16	0.54
Diluted	0.16	0.54

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

	Group		Company	
	30-Sep-19	**30-Jun-19**	**30-Sep-19**	**30-Jun-19**
NAV per share (cents)	21.96	22.43	26.31	26.07
Total NAV (including non-controlling interests) (S$'000)	42,454	43,364	50,855	50,390
Number of ordinary shares used in computation of NAV per share	193,297,531	193,297,531	193,297,531	193,297,531

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue
Revenue increased by approximately S$6.0 million or 29.3%, from S$20.3 million in the financial period ended 30 September 2018 ("**1QFY2019**") to S$26.3 million in the financial period ended 30 September 2019 ("**1QFY2020")**, mainly due to an increase in the volume of gloves produced and sold resulting from the increase in production efficiency and higher sales through expansion of our distribution networks.

	Group		
	30-Sep-19	30-Sep-18	Increase/ (decrease)
	S$'000	S$'000	%
Europe	10,905	10,366	5.2
North America	3,814	3,897	(2.1)
South America	6,488	1,931	>100
Africa	1,486	951	56.3
Asia	2,069	2,160	(4.2)
Others	1,540	1,039	48.2
Total	**26,302**	**20,344**	**29.3**

Cost of Sales
In tandem with the increase in revenue, cost of sales increased by S$5.4 million or 34.0% from S$15.9 million in 1QFY2019 to S$21.3 million in 1QFY2020.

Gross Profit and Gross Profit Margin
Gross profit increased by approximately S$0.6 million from S$4.4 million in 1QFY2019 to S$5.0 million in 1QFY2020 mainly due to increase in production efficiency resulting from an increase in manufacturing capacity.

The Group's gross profit margin decreased from 21.8% in 1QFY2019 to 18.9% in 1QFY2020 mainly due to increase in maintenance costs from the modification of production lines to increase production efficiency for the next phase.

Other income
Other income remained fairly stable at approximately S$0.1 million for both 1QFY2020 and 1QFY2019.

Marketing and Distribution Expenses
Marketing and distribution expenses increased by S$0.3 million or 51.6% from S$0.5 million in 1QFY2019 to S$0.8 million in 1QFY2020 as the Group continued to expand its distribution network and increased its marketing campaigns in anticipation of achieving optimal utilisation with its production capacity.

Administrative Expenses
Administrative expenses increased by approximately S$0.5 million or 21.1% from S$2.6 million in 1QFY2019 to S$3.1 million in 1QFY2020 mainly due to administrative expenses incurred for expansion of the distribution networks in Brazil, UK, China and Nigeria. The increase in staff costs due to hiring of key personnel across all departments had also resulted in an increase of administrative expenses.

Depreciation expenses increased by approximately S$0.1 million or 32.2% from S$0.4 million in 1QFY2019 to S$0.5 million in 1QFY2020 mainly due to increase in production lines and new land and buildings being acquired.

Other Expenses
Other expenses increased by S$0.7 million from S$0.2 million in 1QFY2019 to S$0.9 million in 1QFY2020 mainly due to the unrealised loss from foreign exchange as Brazilian Real being the functional currency of subsidiary in Brazil has been very volatile against the US dollar, as well as the volatility of the Renminbi and Great Britain Pound against the US dollar, where the Renminbi and Great Britain Pound being the functional currency of subsidiaries in China and UK.

Finance Costs
Finance costs increased by S$0.1 million or 39.8% from S$0.4 million in 1QFY2019 to S$0.5 million in 1QFY2020 due to interest arising from increased utilisation of trade facilities as the Group's sales increased.

Share of Profits from Associates
Share of profits from its German and USA associates decreased by 3.8% to S$0.23 million in 1QFY2020, as compared with S$0.24 million in 1QFY2019.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 30 September 2019

Non-current Assets
Non-current assets decreased by approximately S$0.1 million from S$37.3 million as at 30 June 2019 to S$37.2 million as at 30 September 2019, mainly due to decrease in associates of approximately S$0.4 million partially offset by increase in acquisition of property, plant and equipment of S$0.3 million.

Current Assets
Current assets increased by approximately S$2.0 million from S$61.8 million as at 30 June 2019 to S$63.8 million as at 30 September 2019, mainly due to:

(a) Increase in inventories of S$3.5 million or 11.3% from S$31.0 million as at 30 June 2019 to S$34.5 million as at 30 September 2019 as the Group stock up its products at its own overseas distribution companies; which was partially offset by

(b) Decrease in income tax assets of S$1.2 million or 75.4% from S$1.6 million as at 30 June 2019 to S$0.4 million as at 30 September 2019 as a result of tax refund from Inland Revenue Board; and

(c) Decrease in trade and other receivables by S$0.3 million or 1.1% from S$24.1 million as at 30 June 2019 to S$23.8 million as at 30 September 2019.

Equity
Equity comprises share capital, merger reserve, retained earnings, share-based payment reserve, foreign currency translation reserves and non-controlling interests. The total equity of the Group decreased by approximately S$0.9 million or 2.1% from S$43.4 million as at 30 June 2019 to S$42.5 million as at 30 September 2019.

Non-current Liabilities
Non-current liabilities decreased by approximately S$0.6 million or 6.0% from S$9.3 million as at 30 June 2019 to S$8.7 million as at 30 September 2019 due to the Group's repayment of term loan.

Current Liabilities
Current liabilities increased by S$3.4 million from S$46.4 million as at 30 June 2019 to S$49.8 million as at 30 September 2019, mainly due to:

(a) Increase of S$1.7 million or 5.0% in bank borrowings from S$32.2 million as at 30 June 2019 to S$33.9 million as at 30 September 2019 mainly due to increase utilisation of trade facilities; and

(b) Increase in trade and other payables by S$1.6 million or 11.2% from S$14.2 million as at 30 June 2019 to S$15.8 million as at 30 September 2019 mainly due to increase in purchases of raw materials.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1QFY2020, the net cash used in operations amounted to S$0.13 million taking into account the loss before tax of S$0.07 million, adjusted for working capital outflows of S$1.6 million. The net working capital outflows was mainly due to increase in inventories of S$3.5 million, which was partially offset by decrease in trade and other receivables of S$0.3 million and increase in trade and other payables of S$1.6 million. The Group paid interest of S$0.5 million and received income taxes refund of S$1.0 million.

Net cash used in investing activities amounted to S$1.0 million in 1QFY2020. This was due mainly due to the purchases of property, plant and equipment.

Net cash from financing activities amounted to S$1.1 million in 1QFY2020. This was due to a drawdown of borrowings from trade facilities amounting to S$21.5 million, reduced by the repayment of trade financing borrowings of S$20.4 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 protracted trade dispute between the US and China, Brexit risks, geopolitical uncertainties, fluctuations in raw material prices and currencies, as well as inflationary pressure continue to pose challenges for the business environment.

The Group is committed to using its best endeavours to manage its integrated supply chain, upstream manufacturing and downstream distribution channels, and through its proprietary branded products, to strengthen its foundation in building a sustainable business for the long term. Meanwhile, the Group will continue to improve its overall efficiency to achieve higher revenue and improved earnings in the coming quarters.

Upstream Manufacturing

The Group's current total capacity is 2.9 billion gloves per annum. In view of the ongoing macro uncertainties, the Group slightly postponed its plans to construct new production lines to increase its production capacity by another 300 million gloves per annum at the new production facility, which could potentially bring the Group's total capacity to 3.2 billion gloves per annum. This capacity is expected to come on stream in FY2021.

The Group is focused on raising production efficiency for its wide range of proprietary "Unigloves" brand of disposable gloves to cater to the strong demand and support the sales of its downstream distribution network. Thus, the Group is running major maintenance for some of its existing production lines to increase production efficiency and achieve higher production output.

Downstream Distribution

The Group is focused on expanding its own distribution network in Brazil and China where the new subsidiaries were established in FY2019.

The Group will continue to drive marketing campaigns to promote its proprietary "Unigloves" brand of disposable gloves through its downstream distribution network. These campaigns will focus on driving marketing and sales for 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 wishes 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 first quarter and three months financial period ended 30 September 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

11 November 2019