UG HEALTHCARE CORPORATION

UG Healthcare Corporation Limited
(Incorporated in Singapore with Unique Entity No.: 201424579Z)
SGX Stock Code: 8K7
website: www.ughealthcarecorporation.com

VOLUNTARY BUSINESS UPDATE FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2021 ("1Q FY22")

The board of Directors (the "**Board**") of UG Healthcare Corporation Limited ("**UG Healthcare**" or the "**Company**" and together with its subsidiaries, the "**Group**") wishes to update shareholders in this voluntary business update on its financial performance for the financial quarter ended 30 September 2021 ("**1Q FY22**"). The financial performance for 1Q FY22 is based on a preliminary assessment of the Group's latest unaudited consolidated management accounts.

KEY HIGHLIGHTS:

FYE 30 Jun (S$'000)	1Q FY22	1Q FY21	YoY Change	FY21
Revenue	60,118	71,178	- 15.5%	338,401
Gross profit	24,081	43,125	- 44.2%	196,160
Gross margin	40.1%	60.6%	- 20.5 pp	58.0%
Profit before tax	13,822	35,872	- 61.5%	159,403
Net profit after tax	10,559	25,717	- 58.9%	119,944
Net profit (1)	10,599	22,679	- 53.3%	118,765
Net margin	17.6%	31.9%	- 14.3 pp	35.1%
EPS (2) (Singapore cents)	1.72	3.79	- 54.6%	19.42

Notes:

* 1Q denotes three months ended 30 September and FY denotes 12 months ended 30 June.

(1) Net profit attributable to owners of the Company.

(2) Earnings per share ("**EPS**") is based on the average weighted number of shares of 616.3 million for 1Q FY22, 598.4 million for 1Q FY21 (adjusted for the share split of 1 existing ordinary share into 3 ordinary shares for comparative purpose) and 611.5 million FY21.

- In 1Q FY22, the Group's upstream manufacturing operations based in Seremban, Negeri Sembilan, Malaysia, were affected by the temporary closure from 9 July 2021 to 22 July 2021 and the mandated 60% workforce capacity when operations resumed on 23 July 2021, resulting in lower production volume of disposable examination gloves. The Group's downstream distribution operations in six key markets were also affected by the downward adjustments in average selling prices ("**ASP**") of disposable gloves and customers' preference to hold lower inventory in view of the lower urgency for stockpiling and uncertainties in their local business environment.
- Revenue in 1Q FY22 decreased 15.5% year-on-year to S$60.1 million due to the aforementioned

reasons, particularly affected by the lower production volume for the quarter under review.

- Gross profit decreased in tandem with lower revenue and correspondingly, gross margin declined from 60.6% in 1Q FY21 to 40.1% in 1Q FY22 due to the lower production volume and the relatively lower ASP of disposable gloves.
- Profit before tax decreased 61.5% year-on-year to S$13.8 million, mainly due to lower gross profit and higher operating expenses. Higher operating expenses stemmed from administrative expenses that are aligned with the fixed overhead of existing upstream manufacturing operations, ongoing expansion plans, additional expenses relating to regular Covid-19 testing for employees, higher transportation and logistics expenses due to the global container shortage that affected shipments of products, and marketing campaigns to entrench its proprietary branded products. These were partially offset by lower finance costs.
- Net profit attributable to owners of the Company decreased 53.3% year-on-year to S$10.6 million in 1Q FY22 in tandem with lower revenue and margins.

FINANCIAL POSITION

FYE 30 Jun (S$'000)	As at 30 September 2021	As at 30 June 2021
Equity attributable to the owners of the Company ("**Net asset value**")	201,516	190,636
Cash and bank balances	96,190	68,441
Long-term bank borrowings	7,143	5,303
Short-term bank borrowings	8,576	9,957

- The Group maintains a strong net cash position of S$80.5 million.
- Total borrowings increased marginally to tap on favourable interest rates for its capital expenditure.
- The net asset value per share increased to 32.70 Singapore cents as at 30 September 2021, from 30.93 Singapore cents as at 30 June 2021.

  Note: Net asset value per share was computed based on the share capital of 616.3 million shares.

Mr. Lee Jun Yih, Executive Director and Finance Director of UG Healthcare said, "**We are appreciative of the confidence and support of our stakeholders – employees, customers, suppliers, and shareholders, in our ambition to build sustainable growth together through our integrated own-brand manufacturing ("OBM") business.**

With countries reopening borders and life returning to new normalcy, the significant price hikes in personal protection equipment including disposable gloves a year ago, have inevitably undergone downward adjustments over the last two financial quarters. This led to disruptions and uncertainties across the supply chain as unforeseen risks and opportunities may arise from the evolving business environment.

Notwithstanding the intense competition at the upstream manufacturing and ASP adjustments, we are heartened to continue to experience strong demand for our 'Unigloves' branded products at our downstream distribution operations. However, we had to pace our sales to ensure our customers have adequate inventory due to the lower production volume of disposable examination gloves produced at our upstream manufacturing in 1Q FY22. Sequentially, our gross margin decreased from 44.8% in 4Q FY21 to 40.1% in 1Q FY22.

The Group believes the higher priority is to safeguard the interests of our stakeholders amid the uncertainties. Hence, the Group is determined to utilise our cash resources on our intended expansion plans and non-glove business opportunities to generate sustainable returns for the long term."

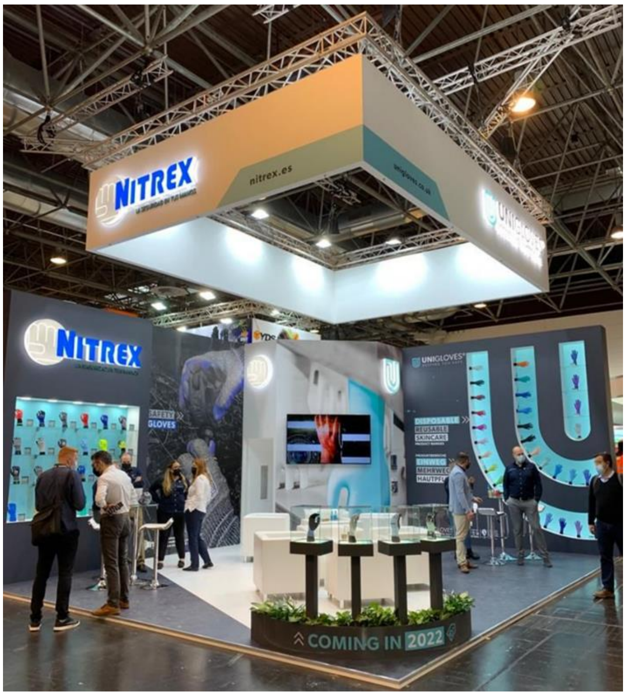
In the quarter under review, the Group took the opportunity of the mandated 60% workforce capacity to carry out maintenance work for its production lines that were running at optimal efficiency since the start of the pandemic. With the resumption of 100% workforce at its upstream manufacturing operations in late August 2021, productivity for the 3.4 billion pieces of gloves per annum is progressively increasing towards optimal efficiency. The upstream manufacturing division is also on track to complete its third manufacturing facility with the additional production capacity of 1.2 billion pieces of gloves per annum by March 2022.

OUTLOOK

The Group's strategy has always been to cultivate demand for its proprietary 'Unigloves' range of products through its downstream distribution companies located in both developed and emerging countries, where they have a direct customer base. The market demand for 'Unigloves' range of products, in turn, drives the production volume in upstream manufacturing. This strategy allows the Group to expand its product portfolio and develop its downstream distribution capabilities to their full potential.

While the value of essential hand protection solutions declines, the demand for them is likely to continue be strong. According to Grand View Research, the global disposable gloves market size was valued at US$10.17 billion in 2020 and is expected to grow at a compound annual growth rate of 9.2% from 2020 to 2028[1].

On 21 October 2021, the Group announced the launch of its new range of reusable gloves – Nitrex and Sibille Safe, for industrial applications. The collaboration with chosen reusable gloves manufacturers to produce innovative reusable gloves for industrial applications under its proprietary brand is one of the options for the Group to expand its product portfolio.



The Group went on to participate in the A+A 2021 – the leading International Trade Fair for Safety, Security and Health at Work in Düsseldorf, Germany in late October 2021[2].

Source: Company

"**Disposable examination gloves are the foundation of our OBM business and we will continue to excel in what we do best. We believe better economies of scale, operating margins and financial performance could potentially be built on our established OBM business model through maximising the potential of our downstream distribution network and our 'Unigloves' brand equity. However, the OBM supply chain business requires a longer time for positive efforts to reflect results,**" added Mr. Lee.

The Malaysian government recently announced in Budget 2022 that Cukai Makmur (prosperity tax), a one-off tax on companies that make more than RM100 million in taxable income, will be imposed for the year of assessment 2022[3]. The Group believes that this will not have a material negative impact on the Group's financial performance for the year ending 30 June 2022 ("**FY22**").

Sources:

1 https://www.grandviewresearch.com/industry-analysis/disposable-gloves-market

2 https://www.aplusa-online.com/en/News_Press/Press_material/Press_Releases/A_A_2021_Safety_First_%E2%80%93_as_important_as_ever

3 https://www.aseanbriefing.com/news/new-tax-measures-impacting-businesses-and-individuals-in-malaysias-budget-2022/

USE OF PROCEEDS

Pursuant to the Company's placement exercise completed on 21 August 2020, the Company received net proceeds of approximately S$18,388,500 (the "**Net Proceeds**").

As an update to the use of Net Proceeds provided in the Company's annual report released on 14 October 2021, the Company has utilised an additional S$800,000 in 1Q FY22 on capital expenditure to S$12,800,000.

<u>CAUTIONARY STATEMENT</u>

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants, or other professional advisers before trading in or making any investment decision regarding the Company's securities.

By Order of the Board
UG Healthcare Corporation Limited

Lee Keck Keong
Executive Director and CEO

11 November 2021

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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.*

The contact person for the Sponsor is Ms Charmian Lim (Telephone no.: (65) 6232 3210) at 1, Robinson Road, #21-00 AIA Tower, Singapore 048542.