UG Healthcare Corporation Limited

(Incorporated in Singapore with Unique Entity No.: 201424579Z)

SGX Stock Code: **8K7**

Website: **www.ughealthcarecorporation.com**

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 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.*

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Six months ended		
		31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000	Increase/ (Decrease) %
Revenue	4	117,278	159,417	(26.4)
Cost of sales		(72,728)	(60,189)	20.8
Gross profit		44,550	99,228	(55.1)
Other income		186	167	11.4
		44,736	99,395	(55.0)
Marketing and distribution expenses		(4,075)	(3,610)	12.9
Administrative expenses		(12,460)	(13,476)	(7.5)
Other expenses		(1,335)	(1,683)	(20.7)
Finance costs		(428)	(377)	13.5
Share of (loss)/profits from equity-accounted for associates		(527)	1,800	N.M.
Profit before income tax	6	25,911	82,049	(68.4)
Income tax expense	7	(5,855)	(20,921)	(72.0)
Profit for the period		20,056	61,128	(67.2)
Other comprehensive (loss)/income/:				
Exchange differences on translating foreign operations		(1,024)	1,861	N.M.
Total comprehensive income for the period		19,032	62,989	(69.8)
Profit/(loss) attributable to:				
Owners of the Company		21,246	54,939	(61.3)
Non-controlling interests		(1,190)	6,189	N.M.
		20,056	61,128	(67.2)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		21,203	56,567	(62.5)
Non-controlling interests		(2,171)	6,422	N.M.
		19,032	62,989	(69.8)
Earnings per share attributable to owners of the Company (cents)				
Basic	9	3.45	9.05	
Diluted		3.45	9.05	

N.M. – not meaningful

B. Condensed interim statements of financial position

	Note	Group		Company	
		31-Dec-21 S$'000	30-Jun-21 S$'000	31-Dec-21 S$'000	30-Jun-21 S$'000
ASSETS					
Non-current assets					
Subsidiaries		-	-	54,621	54,621
Associates		6,668	7,678	-	-
Property, plant and equipment	12	55,940	49,094	-	-
Intangible assets	11	377	263	-	-
Deferred tax assets		4,366	9,768	-	-
Total non-current assets		67,351	66,803	54,621	54,621
Current assets					
Inventories		57,917	72,408	-	-
Amount due from subsidiaries		-	-	51,358	51,619
Trade and other receivables		45,110	60,635	341	317
Derivative financial assets		397	-	-	-
Cash and bank balances		85,809	68,441	4,177	11,446
Total current assets		189,233	201,484	55,876	63,382
Total assets		256,584	268,287	110,497	118,003
EQUITY AND LIABILITIES					
Equity					
Share capital	14	59,652	57,745	59,652	57,745
Reserves		(38,949)	(38,906)	-	-
Retained earnings		189,925	171,797	48,823	53,451
Equity attributable to the owners of the Company		210,628	190,636	108,475	111,196
Non-controlling interests		1,953	4,124	-	-
Total equity		212,581	194,760	108,475	111,196
Non-current liabilities					
Deferred tax liabilities		4,682	4,524	-	-
Lease liabilities		719	749	-	-
Bank borrowings	13	6,089	5,303	-	-
Total non-current liabilities		11,490	10,576	-	-
Current liabilities					
Bank borrowings	13	6,618	9,957	-	-
Trade and other payables		23,268	34,755	1,891	6,605
Lease liabilities		733	734	-	-
Derivative financial liabilities		-	312	-	-
Income tax liabilities		1,894	17,193	131	202
Total current liabilities		32,513	62,951	2,022	6,807
Total liabilities		44,003	73,527	2,022	6,807
Total equity and liabilities		256,584	268,287	110,497	118,003

C. Condensed interim statements of changes in equity

	Attributable to equity holders of the Company							
	Share capital S$'000	Foreign currency translation reserves S$'000	Merger reserves 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 2021	57,745	(12,966)	(25,940)	-	171,797	190,636	4,124	194,760
Profit for the period	-	-	-	-	21,246	21,246	(1,190)	20,056
Other comprehensive (loss)/income								
Exchange differences on translating foreign operations	-	(43)	-	-	-	(43)	(981)	(1,024)
Total comprehensive (loss)/income for the period	-	(43)	-	-	21,246	21,203	(2,171)	19,032
Issuance of shares, pursuant to scrip dividend	1,907	-	-	-	-	1,907	-	1,907
Dividend	-	-	-	-	(3,118)	(3,118)	-	(3,118)
Balance as at 31 December 2021	59,652	(13,009)	(25,940)	-	189,925	210,628	1,953	212,581
Balance as at 1 July 2020	37,870	(15,032)	(25,940)	180	55,143	52,221	2,051	54,272
Profit for the period	-	-	-	-	54,939	54,939	6,189	61,128
Other comprehensive income								
Exchange differences on translating foreign operations	-	1,628	-	-	-	1,628	233	1,861
Total comprehensive income for the period	-	1,628	-	-	54,939	56,567	6,422	62,989
Issuance of shares, pursuant to placement agreement	18,437	-	-	-	-	18,437	-	18,437
Issuance of shares, pursuant to exercise of share options	415	-	-	(161)	-	254	-	254
Share options forfeited	-	-	-	(19)	-	(19)	-	(19)
Issuance of shares, pursuant to scrip dividend	1,023	-	-	-	-	1,023	-	1,023
Dividend	-	-	-	-	(1,463)	(1,463)	-	(1,463)
Balance as at 31 December 2020	57,745	(13,404)	(25,940)	-	108,619	127,020	8,473	135,493

C. Condensed interim statements 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 2021	57,745	-	53,451	111,196
Loss for the period, representing total comprehensive loss for the period	-	-	(1,510)	(1,510)
Issuance of shares, pursuant to scrip dividend	1,907	-	-	1,907
Dividend	-	-	(3,118)	(3,118)
Balance as at 31 December 2021	59,652	-	48,823	108,475
Balance as at 1 July 2020	37,870	180	12,039	50,089
Loss for the period, representing total comprehensive loss for the period	-	-	(4,730)	(4,730)
Issuance of shares, pursuant to placement agreement	18,437	-	-	18,437
Issuance of shares, pursuant to exercise of share options	415	(161)	-	254
Share option forfeited	-	(19)	-	(19)
Issuance of shares, pursuant to scrip dividend	1,023	-	-	1,023
Dividend	-	-	(1,463)	(1.463)
Balance as at 31 December 2020	57,745	-	5,846	63.591

D. Condensed interim consolidated statement of cash flows

	Note	Six Months Ended	
		31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000
Operating activities			
Profit before income tax		25,911	82,049
Adjustments for:			
Amortisation of intangible assets		10	9
Property, plant and equipment written off		66	137
Gain on disposal of property, plant and equipment		-	(7)
Depreciation of property, plant and equipment		1,453	1,153
Loss allowance on trade receivables		1	5
Interest expense		428	377
Interest income		(128)	(74)
Share of loss/(profits) from equity-accounted for associates		527	(1,800)
Fair value gain of derivative financial instruments		(724)	(814)
Unrealised exchange differences		344	2,276
Operating cash flows before movements in working capital		27,888	83,311
Movements in working capital			
Inventories		14,491	(23,687)
Trade and other receivables		15,525	(19,861)
Trade and other payables		(11,487)	6,987
Cash generated from operations		46,417	46,750
Interest paid		(398)	(354)
Income taxes paid		(15,594)	(482)
Net cash generated from operating activities		30,425	45,914
Investing activities			
Acquisition of property, plant and equipment		(8,863)	(6,690)
Addition of intangible assets		(126)	-
Dividend received		-	682
Increase in fixed deposits pledged to bank		(7)	(18)
Interest received		128	74
Net cash used in investing activities		(8,868)	(5,952)
Financing activities			
Drawdown of borrowings		9,710	3,949
Repayment of borrowings		(12,263)	(27,715)
Repayment of lease liabilities		(432)	159
Issuance of shares pursuant to placement agreement		-	18,437
Exercise of share options		-	235
Dividend paid		(1,211)	(441)
Net cash used in financing activities		(4,196)	(5,376)
Net increase in cash and cash equivalents		17,361	34,586
Cash and cash equivalents at beginning of financial period		67,797	8,660
Cash and cash equivalents at end of financial period		85,158	43,246
Cash and cash equivalents comprised the following:			
Cash and bank balances		85,809	43,896
Less: Fixed deposits pledged to bank		(651)	(650)
		85,158	43,246

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

UG Healthcare Corporation Limited (the "**Company**") (Registration Number 201424579Z) is incorporated and is domiciled in Singapore. The address of the Company's registered office is 38 Beach Road, #29–11 South Beach Tower, Singapore 189767 and is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). These condensed interim consolidated financial statements as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the "**Group**").

The principal activity of the Company is that of investment holding.

The principal activities of the Group are manufacturing and trading of gloves and other medical disposables products such as latex examination gloves, nitrile examination gloves and other ancillary products.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2021. The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1. The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there are no critical judgements made in applying the Group's accounting policies and no assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

Reportable segment revenues, profit or loss, assets and liabilities and other material items

The revenue is derived from the sale of goods which is recognised based on point in time.

	31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000	Increase/ (Decrease) %
Revenue			
Total revenue for reportable segments	238,324	355,998	(33.1)
Elimination of inter-segment revenue	(121,046)	(196,581)	(38.4)
	117,278	159,417	(26.4)
Profit or Loss			
Total profit reportable segments	26,438	80,249	(67.1)
Share of (loss)/profit of associate	(527)	1,800	N.M.
Profit before income tax	25,911	82,049	(68.4)
Assets			
Total assets for reportable segments	249,916	191,837	30.3
Investments in associate	6,668	5,996	11.2
Total assets	256,584	197,833	29.7
Liabilities			
Total liabilities for reportable segments	44,003	62,340	(29.4)
Total liabilities	44,003	62,340	(29.4)

By product segments

	31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000	Increase/ (Decrease) %
Revenue			
Latex examination gloves	49,880	69,077	(27.8)
Nitrile examination gloves	64,392	83,700	(23.1)
Other ancillary products	3,006	6,640	(54.7)
Total	117,278	159,417	(26.4)
Gross profit			
Latex examination gloves	19,836	45,718	(56.6)
Nitrile examination gloves	24,330	51,043	(52.3)
Other ancillary products	384	2,467	(84.4)
Total	44,550	99,228	(55.1)
Gross profit margin	%	%	
Latex examination gloves	39.8	66.2	
Nitrile examination gloves	37.8	61.0	
Other ancillary products	12.8	37.2	
Overall	38.0	62.2	

By geographical locations

	31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000	Increase/ (Decrease) %
Revenue			
Europe	50,576	69,516	(27.2)
North America	13,813	10,598	30.3
South America	21,128	42,255	(50.0)
Africa	8,081	7,218	12.0
Asia	21,284	23,305	(8.7)
Others	2,396	6,525	(63.3)
Total	117,278	159,417	(26.4)

Locations of non-current assets

	31-Dec-21 1H FY22 S$'000	30-Jun-21 FY21 S$'000	Increase/ (Decrease) %
Non-current assets			
Europe	6,196	6,964	(11.0)
North America	706	960	(26.5)
South America	4,162	4,699	(11.4)
Africa	2,496	1,353	84.5
Asia	53,791	52,827	1.8
Total	67,351	66,803	0.8

5. Financial assets and financial liabilities

Set out of below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 30 June 2021:

	The Group		The Company	
	31-Dec-21 S$'000	30-Jun-21 S$'000	31-Dec-21 S$'000	30-Jun-21 S$'000
Financial assets				
Trade and other receivables (excluding prepayment)	41,079	56,842	327	246
Cash and cash equivalents	85,809	68,441	4,177	11,446
Amounts due from subsidiaries	-	-	51,358	51,619
Financial assets measured at amortised cost	126,888	125,283	55,862	63,311
Financial liabilities				
Trade and other payables	23,268	34,755	1,891	6,605
Bank borrowings	12,707	15,260	-	-
Lease liabilities	1,452	1,483	-	-
Financial liabilities measured at amortised cost	37,427	51,498	1,891	6,605

6. Profit before taxation

6.1 Significant items

	31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000
Income		
Interest income	128	74
Gain on disposal of property, plant and equipment	-	7
Expenses		
Interest expenses	428	377
Depreciation	1,453	1,153
Property, plant and equipment written off	66	137
Amortisation of intangible assets	10	9
Loss allowance on trade receivables	1	5
Foreign exchange loss	1,229	1,509

Note

** Foreign exchange gain/loss includes net realised and unrealised foreign exchange gain/loss and fair value gain/loss on financial derivatives that are used mainly for hedging purposes.*

6.2 Related party transactions

During the year, in addition to those disclosed elsewhere in these financial statements, the Groups entities entered into the following transactions with related parties:

	31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000
Sales to associates	11,689	18,228

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	31-Dec-21 1H FY22 S$'000	31-Dec-20 1H FY21 S$'000
Current income tax		
- Current	5,855	20,921

8. Dividends

	1H FY22 S$'000
Ordinary dividend paid during the financial period:	
Tax exempt final dividend declared for FY21 (paid in December 2021)	2,502
Tax exempt special dividend 2 declared for FY21 (paid in December 2021)	616
Total dividends paid	3,118

9. Earnings per share

	31-Dec-21 1H FY22	31-Dec-20 1H FY21
Earnings (S$'000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to the Company)	21,246	54,939
Number of shares		
Weighted average number of ordinary shares for the purpose of		
- basic share	616,628,880	606,761,079
- diluted share	616,628,880	606,761,079
Earnings per share (cents)		
- basic	3.45	9.05
- diluted	3.45	9.05

10. Net asset value

	The Group		The Company	
	31-Dec-21	30-Jun-21	31-Dec-21	30-Jun-21
Number of ordinary shares	623,825,811	616,258,752	623,825,811	616,258,752
Total net asset value (attributable to owners of the Company) (S$'000)	210,628	190,636	108,475	111,196
Net asset value per share (cents)	33.76	30.93	17.39	18.04

11. Intangible assets

	1H FY22 S$'000	FY21 S$'000
Cost:		
Balance at beginning of period	344	325
Addition	126	17
Exchange difference	(2)	2
Balance at end of period	468	344
Accumulated amortisation:		
Balance at beginning of period	(81)	(63)
Amortisation	(10)	(18)
Balance at end of period	(91)	(81)

	1H FY22 S$'000	FY21 S$'000
Business license	184	184
Computer software	161	42
Customer base	32	37
Balance at end of period	377	263

12. Property, plant and equipment

During the financial period ended 31 December 2021, the Group acquired property, plant and equipment for an amounting of S$8,863,000 (31 December 2020: S$6,690,000), and disposed and wrote off assets amounting to S$66,000 (31 December 2020: S$137,000).

13. Borrowings

	31-Dec-2021		30-Jun-2021	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	6,618	-	9,957	-
Amount repayable after one year	6,089	-	5,303	-
Total borrowings	12,707	-	15,260	-

Details of collaterals

As at 31 December 2021 and 30 June 2021, the borrowings of the Group 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
(v) corporate guarantees; and
(vi) keyman insurance

14. Share capital

	Group and Company	
	No. of share ('000)	S$'000
Issuance and paid-up share capital as at 30 June 2021	616,258,752	57,744,771
Issuance of shares pursuant to the UG Healthcare Scrip Dividend Scheme on 23 December 2021	7,567,059	1,906,898
Issuance and paid-up share capital as at 31 December 2021	623,825,811	59,651,669

The Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2021 and 31 December 2020.

15. Acquisition of subsidiary

The Group had no such acquisitions during 1H FY22.

16 Subsequent events

There are no known subsequent events which led to adjustments to this set of interim financial statements.

F. Other information required by Catalist Rules Appendix 7C

1. Review

The condensed consolidated statement of financial position of UG Healthcare Corporation Limited and its subsidiaries as at 31 December 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Revenue for all business segments have decreased in the financial period ended 31 December 2021 ("**1H FY22**") as compared to the financial period ended 31 December 2020 ("**1H FY21**"). This was mainly due to the decrease in the average selling price ("**ASP**") of gloves, delays in shipment to the key markets, customers' preference to hold lower inventory in view of the downtrend in ASP, as well as lower production volume in 1H FY22, particularly during the months from July to September 2021, resulting from the temporary closure of the Group's manufacturing facilities and the mandated 60% workforce capacity. Revenue for latex examination gloves, nitrile examination gloves and other ancillary products have decreased by 27.8%, 23.1% and 54.7%, respectively, in 1H FY22 as compared to 1H FY21 mainly due to the reasons described above. The Group's revenue decreased by approximately S$42.1 million or 26.4% from S$159.4 million in 1H FY21 to S$117.3 million in 1H FY22.

Gross profit decreased by approximately S$54.6 million or 55.1% from S$99.2 million in 1H FY21 to S$44.6 million in 1H FY22. This was mainly due to higher cost of sales, which increased by S$12.5 million or 20.8% from S$60.2 million in 1H FY21 to S$72.7 million in 1H FY22, in tandem with the increase in fixed overheads on the back of the increase in manufacturing capacity, as well as the reduction in the ASP of gloves. Correspondingly, the gross profit margin of the Group decreased from 62.2% in 1H FY21 to 38.0% in 1H FY22 as ASP declined across the Group's products.

Other income remained fairly stable at approximately S$0.2 million in both 1H FY22 and 1H FY21. The Group's other expenses decreased from S$1.7 million in 1H FY21 to S$1.3 million in 1H FY22. The main component of the other expenses is the loss from foreign exchange. Brazilian Real being the functional currency of subsidiary in Brazil has been very volatile against US dollar, as well as the volatility of the Renminbi and British Pound against US dollar, where the Renminbi and British Pound being the functional currency of subsidiaries in China and UK.

Operating expenses remained stable. It recorded a decrease of 3.2%, from S$17.1 million in 1H FY21 to S$16.5 million in 1H FY22. Finance cost increased by S$51,000 from S$0.38 million in 1H FY21 to S$0.43 million in 1H FY22 due to increase in long-term borrowings for construction of new factory and new production lines.

Share of profits/ losses from associates decreased from a profit of S$1.8 million in 1H FY21 to a loss of S$0.5 million in 1H FY22 due to losses reported by German and USA associates resulting from decrease in the ASP of gloves. After taking into account the tax expenses and minority interests, the Group's net profit attributable to the shareholders decreased from S$54.9 million in 1H FY21 to S$21.2 million in 1H FY22.

The Group's net asset value increased from S$190.6 million as at 30 June 2021 to S$210.6 million as at 31 December 2021. Similarly, net asset value increased from 30.93 Singapore cents as at 30 June 2021 to 33.76 Singapore cents as at 31 December 2021.

Non-current assets increased by approximately S$0.6 million from S$66.8 million as at 30 June 2021 to S$67.4 million as at 31 December 2021 mainly due to increase in acquisition of property, plant and equipment of S$6.8 million which mainly pertains to the construction of new factory and new production lines, partially offset by decrease in deferred tax assets of S$5.4 million and decrease in associates of S$1.0 mil.

Current assets decreased by approximately S$12.3 million from S$201.5 million as at 30 June 2021 to S$189.2 million as at 31 December 2021, mainly due to:

- Decrease in trade and other receivables by S$15.5 million from S$60.6 million as at 30 June 2021 to S$45.1 million as at 31 December 2021 due to lower average selling price to customers and thus lower revenue; and
- Decrease in inventories of S$14.5 million from S$72.4 million as at 30 June 2021 to S$57.9 million as at 31 December 2021; partially offset by
- Increase in cash and bank balances of S$17.4 million from S$68.4 million as at 30 June 2021 to S$85.8 million as at 31 December 2021.

Non-current liabilities increased from S$10.6 million as at 30 June 2021 to S$11.5 million as at 31 December 2021 mainly due to the increase in non-current borrowings of S$0.8 million.

Current liabilities decreased by approximately S$30.5 million from S$63.0 million as at 30 June 2021 to S$32.5 million as at 31 December 2021 mainly due to:

- Decrease in income tax liabilities by S$15.3 million from S$17.2 million as at 30 June 2021 to S$1.9 million as at 31 December 2021 due to repayment of tax payable;
- Decrease in trade and other payables by S$11.5 million from S$34.8 million as at 30 June 2021 to S$23.3 million as at 31 December 2021 due to decrease in selling price of raw materials; and
- Decrease in current borrowings by S$3.3 million from S$9.9 million as at 30 June 2021 to S$6.6 million as at 31 December 2021 due to repayment of borrowings from trade facilities.

In 1H FY22, the net cash from operations amounted to S$30.4 million taking into account of the profit before tax of S$25.9 million, adjusted for working capital inflows of S$18.5 million which was mainly due to decrease in inventory and trade and other receivables, as well as income tax paid of S$15.6 million. Net cash used in investing activities amounted to S$8.9 million due to purchases of property, plant and equipment, which was mainly for the construction of new factory and new production lines, offset by cash inflows from interest received. Net cash used in financing activities amounted to S$4.2 million mainly due to the net repayment of borrowings from trade facilities and payment of dividends.

Utilisation of net proceeds

The net proceeds of approximately S$18,388,500 from the placement completed on 21 August 2020 are intended for the following purpose:

Purpose	**Amount allocated as stated in placement announcement dated 18 August 2020**		**Amount utilised**	
	(%)	(S$' million)	(%)	(S$' million)
a) Capital expenditure for production capacity expansion plans	80 – 95	15.6 – 16.6	75	13.8(1)
b) General working capital	10 – 15	1.8 – 2.8	10	1.8(2)
Total:	**100**	**18.4**	**85**	**15.6**

Notes:

(1) Net proceeds used for capital expenditures are mainly for the expansion of production lines to produce an additional 500 million pieces of gloves per annum and the construction of a factory building together with additional production lines for a further 1.2 billion pieces of gloves per annum.

(2) Net proceeds used for general working capital are mainly for administrative expenses incurred.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement has been previously disclosed to shareholders.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

The average selling price of gloves has been on a steady decline since March 2021, due to the increased supply in the market and the gradual return to normality in most countries around the world. Despite this, global gloves demand has remained strong as the number of COVID-19 cases remain high in many countries, and underpinned by the heightened hygiene awareness compared to pre-COVID times.

The Group's current production capacity stands at 3.4 billion pieces of gloves per annum. The Group's new factory, which will increase production capacity by an additional 1.2 billion pieces of gloves per annum, has been delayed due to the temporary shutdown of construction activities in Malaysia between June and September 2021. As a result, the date of commencement of the new capacity has been delayed to May 2022. This additional capacity will bring the Group's total installed capacity to 4.6 billion pieces of gloves per annum.

As competition in the disposable gloves sector continues to intensify, particularly at the upstream manufacturing, the Group will place more emphasis on strengthening its proprietary 'Unigloves' market position, expanding its customer base, and broadening its product portfolio at its downstream distribution operations.

During 1H FY22, the Group diversified its product range with the launch of reusable gloves under its proprietary brand. This new range of reusable gloves ensures comprehensive hand protection against all major workplace hazards including chemical, cuts, impact, thermal and electrical hazards. This strategy allows the Group to broaden its product portfolio and further develop its downstream capabilities to maximise their potential.

The Group will continue to seek diversification in non-glove investment opportunities in the healthcare related sectors to complement its glove products that could leverage on its entrenched downstream distribution network. Meanwhile, any further expansion of capacity beyond 4.6 billion pieces of gloves per annum at its upstream manufacturing operations will be deliberated and announced when plans are finalised.

5. Dividend

Not applicable. No dividend has been declared for 1H FY22.

6. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended for 1H FY22 as the Group wishes to conserve cash for expansion and growth.

7. Dividend information for the corresponding period of the immediate preceding financial year

Dividend declared for 1H FY21

Name of dividend	Special dividend
Dividend type	Cash
Dividend per share	S$0.00105 per ordinary share
Tax rate	Tax exempted

The dividend declared during the corresponding period of the immediate preceding financial year, 1H FY21 was paid in March 2021.

8. Interested person transactions

The Group has not obtained any IPT mandate from the shareholders. There is no IPT entered into during 1H FY22.

9. Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company has received undertaking from all its Directors and Executive Officers in the format as set out in Appendix 7H under Rule 720(1) of the Catalist Rules of the SGX-ST.

10. Confirmation pursuant to Rule 705(5) of the Catalist 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 half and six months financial period ended 31 December 2021 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 February 2022