

## UG Healthcare posts better gross profit and gross margin in 1H FY24 as disposable examination gloves industry normalises

- Global demand for and supply of disposable examination gloves continue to seek new equilibrium as ASP stabilises, resulting in improved margins
- Broadened product portfolios and strengthened downstream distribution competencies to maximise the value of the downstream distribution network and balance the Group's business risks
  - recorded encouraging sales of ancillary products comprising reusable gloves and healthcare products
- Group will continue to invest and build resilience upon the foundation of its disposable examination gloves business and strategic diversification into non-glove healthcare businesses to pave the way for sustainable growth in the long term
  - planning and development of the Active Retirement Home Project has commenced

### Key Financial Highlights:

FYE 30 Jun (S\$'000)	1H FY24	1H FY23	YoY Change	FY23
Revenue	49,697	55,899	(11.1)%	101,133
Gross profit	8,115	6,135	+ 32.3%	1,448
<b>Gross margin</b>	<b>16.3%</b>	<b>11.0%</b>	<b>+ 5.3 pp</b>	<b>1.4%</b>
Loss before tax	(6,157)	(9,311)	(33.9)%	(28,361)
Net loss after tax	(6,012)	(8,927)	(32.7)%	(26,963)
Net loss <sup>(1)</sup>	(4,979)	(4,778)	+ 4.2%	(20,734)
LPS <sup>(2)</sup> (Singapore cents)	(0.80)	(0.77)	+ 3.9%	(3.32)

Notes:

\* 1H denotes six months ended 31 December and FY denotes 12 months ended 30 June.

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

(2) Loss per share ("LPS") is based on the average weighted number of shares of 623.8 million for 1H FY24, 1H FY23, and FY23.

**Singapore, 13 February 2024 – UG Healthcare Corporation Limited 优格医疗集团 ("UG Healthcare"** and together with its subsidiaries, the "**Group**"), an own brand manufacturer that markets and sells proprietary **UNIGLOVES®** branded products through its own established global downstream distribution network, registered an improvement in gross profit of 32.3% from S\$6.1 million for the six months ended 31 December 2022 ("**1H FY23**") to S\$8.1 million for the six months ended 31 December 2023 ("**1H FY24**") on the back of a gradual recovery in the disposable gloves industry. This was despite

lower revenue from disposable examination gloves, which was partially offset by higher revenue from ancillary products including reusable gloves in 1H FY24. The Group's continuous effort to drive growth amid the challenging business environment and inflationary pressure was undermined by (i) higher operating expenses as a result of the increase in marketing expenses to promote ancillary products, (ii) higher interest rates on financing, and (iii) share of results of associates which saw a reversal from a gain to a loss as relatively higher-priced inventories which resulted in lean gross margins continued to be sold in 1H FY24.

Commenting on the financial performance, Mr. Lee Jun Yih, Executive Director and Finance Director of UG Healthcare, said, **“The dynamics across the disposable examination gloves supply chain continue to normalise as the market determines a new equilibrium. As we ride out this normalisation process, we will maintain our option to outsource some of the production of disposable examination gloves under our proprietary UNIGLOVES® brand while we schedule the commissioning of our third manufacturing facility to utilise our own-brand manufacturing (“OBM”) model.**

**With the disposable examination gloves providing the foundation, we strive to maximise the value of our downstream distribution network and balance our Group's business risks. Sales of our ancillary products, including our range of reusable gloves targeted at industrial applications, have been encouraging.**

**We believe our investments in broadening our product portfolios and expanding into new markets, as well as embarking into non-glove healthcare businesses, especially the joint development, management, and operation of the Active Retirement Home Project, are necessary for the Group to build resilience and pave the way for sustainable growth in the long term.**

**We are appreciative of the patience and support of our stakeholders, as these new strategic investments require time and resources to build.”**

The necessary and relevant approvals with respect to the development of the active retirement homes, comprising 798 units and necessary amenities, located in Desaru, Malaysia (the **“Active Retirement Home Project”**) has been recently obtained. As announced on 1 February 2024, planning and development of the Active Retirement Home Project has commenced.

## FINANCIAL REVIEW

The Group recorded lower revenue for both latex and nitrile disposable examination gloves segments as average selling prices (“ASP”) continued to decrease for latex disposable examination gloves while ASP for nitrile disposable examination gloves remained relatively stable in 1H FY24, amid the recovery of the global demand for and supply of disposable examination gloves. The lower revenue was bolstered by higher sales of ancillary products, including reusable gloves.

### Revenue analysis by product segments

FYE 30 Jun (S\$'000)	Revenue			Gross Profit			Gross Margin	
	1H FY24	1H FY23	YoY Change	1H FY24	1H FY23	YoY Change	1H FY24	1H FY23
Latex examination gloves	28,851	37,498	(23.1)%	4,928	4,236	+ 16.3%	17.1%	11.3%
Nitrile examination gloves	16,483	16,660	(1.1)%	2,745	1,605	+ 71.0%	16.7%	9.6%
Other ancillary products	4,363	1,741	>100.0%	442	294	+ 50.3%	10.1%	16.9%
<b>Total</b>	<b>49,697</b>	<b>55,899</b>	<b>(11.1)%</b>	<b>8,115</b>	<b>6,135</b>	<b>+ 32.3%</b>	<b>16.3%</b>	<b>11.0%</b>

The downstream distribution network expansion in Europe and the re-implementation of import restrictions in Brazil saw sales improve in the European and South American markets.

### Revenue analysis by key markets

FYE 30 June (S\$'000)	1H FY24	1H FY23	YoY Change
Europe	22,062	20,099	+ 9.8%
North America	1,681	4,695	(64.2)%
South America	13,731	11,567	+ 18.7%
Africa	3,015	4,766	(36.7)%
Asia	8,289	13,079	(36.6)%
Others	919	1,693	(45.7)%
<b>Total</b>	<b>49,697</b>	<b>55,899</b>	<b>(11.1)%</b>

Note: As a result of the integrated supply chain, the Group recognises sales only after the products have been sold by the distribution companies. The goods in transit and in the warehouses of its distribution companies are recorded as inventory, and can only be recognised as revenue when they are sold to end consumers.

The stringent cost management at the upstream manufacturing division and lower average purchase prices of raw materials resulted in gross profit improving by 32.3%, from S\$6.1 million in 1H FY23 to S\$8.1 million in 1H FY24. Correspondingly, gross profit margin increased from 11.0% in 1H FY23 to 16.3% in 1H FY24.

Other income increased by 11.0% from S\$1.1 million in 1H FY23 to S\$1.2 million in 1H FY24 on the back of higher interest income from fixed deposits with the banks.

Other expenses decreased by 78.4% from S\$2.8 million in 1H FY23 to S\$0.6 million in 1H FY24 due to lower loss from foreign exchange as the US dollar and Renminbi against Singapore dollar was relatively stable during 1H FY24.

Total operating expenses comprising marketing and distribution expenses and administrative expenses increased by 4.7% from S\$13.5 million in 1H FY23 to S\$14.2 million in 1H FY24. The increase was due to higher marketing expenses incurred for the promotion of new ancillary products.

Finance costs increased from S\$0.3 million in 1H FY23 to S\$0.5 million in 1H FY24 due to higher interest rate on borrowings.

Share of results from associates saw a reversal from a gain of S\$0.2 million in 1H FY23 to a loss of S\$0.1 million in 1H FY24 on losses reported by its associates in Germany and the USA.

After taking into account tax expenses and minority interests, the Group registered a net loss attributable to shareholders of S\$5.0 million in 1H FY24, an increase from a net loss of S\$4.8 million in 1H FY23.

## FINANCIAL POSITION

FYE 30 Jun (S\$'000)	As at 31 December 2023	As at 30 June 2023
Equity attributable to the owners of the Company (" <b>Net asset value</b> ")	171,937	180,844
Cash and bank balances	45,128	61,745
Long-term bank borrowings	14,035	13,813
Short-term bank borrowings	13,274	16,137
Net asset value per share (Singapore cents)	27.56	28.99

Note: Net asset value per share was computed based on the share capital of 623.8 million shares as at 31 December 2023 and 30 June 2023.

The Group maintained a net cash position of S\$17.8 million as at 31 December 2023. As a result of the net loss attributable to shareholders of S\$5.0 million in 1H FY24, the net asset value per share decreased correspondingly from S\$0.2899 as at 30 June 2023 to S\$0.2756 as at 31 December 2023.

The Company will update shareholders on material developments of the Group, as and when they arise.

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*This media release is to be read in conjunction with the Company's results announcement posted on the SGX website on 13 February 2024.*

**UG HEALTHCARE CORPORATION 优格医疗集团**

(Stock Code – SGX: 8K7 | Bloomberg: UGHC SP | Reuters: UGHE.SI)

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**UG Healthcare Corporation Limited** (“UG Healthcare” and together with its subsidiaries, the “Group”) is an own brand manufacturer that markets and sells proprietary **UNIGLOVES®** branded products through its own established global downstream distribution network.

The Group owns and operates an extensive downstream network of distribution companies with a local presence in Europe, United Kingdom, USA, China, Africa, and South America, where it markets and sells its proprietary **UNIGLOVES®** brand of disposable gloves. The Group also distributes ancillary products including surgical gloves, vinyl and cleanroom disposable gloves, reusable gloves, face masks and other medical disposables.

These downstream distribution companies are supported and complemented by the Group’s own upstream manufacturing division, manufacturing natural latex and nitrile disposable gloves under its **UNIGLOVES®** brand and third-party labels in its upstream manufacturing facilities located in Malaysia.

The Group’s upstream manufacturing is certified by British Standards Institution (“**BSI**”) for ISO 9001:2015, ISO 13485:2016 and EN ISO 13485:2016 for the scope of manufacture and supply of natural latex and nitrile latex examination gloves.

Its **UNIGLOVES®** brand of disposable gloves offers an extensive product range that includes both specialised products, with a variety of coatings, scents, colours, thickness, antimicrobial properties for more specialised users, as well as generic products. These products are used across a diverse range of industries requiring cross infection protection and hygiene standards, whilst catering to different applications and preferences.

The Group’s proprietary brand of products conform to various international standards and requirements, including the ASTM International (formerly known as American Society for Testing and Materials), European standard for medical gloves (“**EN455**”), ISO 11193 standards (International Organization for Standardization for Single-use medical examination gloves), CE and UKCA Type Examination Certificates of Latex and Nitrile Examination Gloves PPE 2016(425) Cat III, Acceptance Quality Level requirements under the Food and Drug Administration (“**USFDA**”), China Food and Drug Administration (“**CFDA**”), Brazilian Health Regulatory Agency (“**Anvisa**”) and the National Agency for Food and Drug Business Strategy Administration and Control (“**NAFDAC**”).

For more information, please visit the company’s website at [www.ughealthcarecorporation.com](http://www.ughealthcarecorporation.com)

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Issued for and on behalf of **UG Healthcare Corporation Limited** by:

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*This media release has been reviewed by the Company's sponsor, SAC Capital Private Limited (the “Sponsor”).*

*This media release 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 media release, including the correctness of any of the statements or opinions made or reports contained in this media release.*

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