UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

QUARTERLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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*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.

The contact person for the Sponsor is Mr Ong Hwee Li (Telephone no.: (65) 65323829) at 1, Robinson Road, #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.

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 ("3QFY2017") AND 9 MONTHS ENDED 31 MARCH 2017 ("9MFY2017")

	3QFY2017 3 months ended			9MFY2017 9 months ended		
	31-Mar-17 S$'000	31-Mar-16 S$'000	Increase/ (Decrease) %	31-Mar-17 S$'000	31-Mar-16 S$'000	Increase/ (Decrease) %
Revenue	17,578	15,049	16.8	48,538	45,192	7.4
Cost of sales	(14,295)	(11,695)	22.2	(40,803)	(34,627)	17.8
Gross profit	3,283	3,354	(2.1)	7,735	10,565	(26.8)
Other income	397	1,390	(71.4)	1,422	1,399	1.6
	3,680	4,744	(22.4)	9,157	11,964	(23.5)
Marketing and distribution expenses	(452)	(586)	(22.9)	(1,324)	(1,277)	3.7
Administrative expenses	(2,073)	(1,138)	82.2	(5,113)	(4,546)	12.5
Other expenses	(419)	(1,257)	(66.7)	(562)	(742)	(24.3)
Finance costs	(153)	(220)	(30.5)	(404)	(395)	2.3
Share of profits from associates	301	147	N.M.	578	543	6.4
Profit before tax	884	1,690	(47.7)	2,332	5,547	(58.0)
Income tax expense	(139)	(162)	(14.2)	(373)	(942)	(60.4)
Profit for the period	745	1,528	(51.2)	1,959	4,605	(57.5)
Other comprehensive loss						
Exchange difference on translating foreign operations	128	(606)	N.M.	(3,174)	(2,745)	15.6
Total comprehensive (loss)/ income for the period	873	922	(5.3)	(1,215)	1,860	N.M.
Profit/(loss) attributable to:						
Owners of the Company	946	1,675	(43.5)	2,334	4,908	(52.4)
Non-controlling interests	(201)	(147)	36.7	(375)	(303)	23.8
	745	1,528	(51.2)	1,959	4,605	(57.5)
Total comprehensive income/(loss) attributable to:						
Owners of the Company	866	933	(7.2)	(1,224)	1,880	N.M.
Non-controlling interests	7	(11)	-	9	20	(55.0)
	873	922	(5.3)	(1,215)	1,860	N.M.
Earnings per share (cents)						
Basic and diluted	0.49	0.89		1.23	2.61	

N.M. – not meaningful

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

	3QFY2017 3 months ended			9MFY2017 9 months ended		
	31-Mar-17 S$'000	31-Mar-16 S$'000	Increase/ (Decrease) %	31-Mar-17 S$'000	31-Mar-16 S$'000	Increase/ (Decrease) %
Interest income	(10)	(1)	N.M.	(29)	(2)	N.M.
Fair value gain on financial derivatives	-	(1,357)	N.M.	-	(1,357)	N.M.
Foreign exchange gain – unrealised	(306)	-	N.M.	(383)	-	N.M.
Foreign exchange gain – realised	(46)	-	N.M.	(921)	-	N.M.
Foreign exchange loss – unrealised	399	969	(58.8)	399	-	N.M.
Foreign exchange loss – realised	163	479	(66.0)	163	652	(75.0)
Sundry income	(34)	(32)	6.3	(90)	(40)	N.M.
Interest expense on borrowings	153	219	(30.1)	404	395	2.3
Allowance for doubtful debts	-	-	-	3	-	N.M.
Depreciation	255	307	(16.9)	773	749	3.2
Under provision of tax in prior years	-	-	-	-	2	N.M.

N.M. – not meaningful

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

	Group		Company	
	31-Mar-17 S$'000	30-June-16 S$'000	31-Mar-17 S$'000	30-June-16 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	30,802	30,802
Associates	5,846	5,288	-	-
Property, plant and equipment	18,641	17,078	-	-
Intangible assets	291	297	-	-
Deferred tax assets	155	158	-	-
Total non-current assets	24,933	22,821	30,802	30,802
Current assets				
Inventories	17,171	13,586	-	-
Amount due from subsidiaries	-	-	22,709	26,696
Trade and other receivables	19,820	13,651	10	9
Cash and bank balances	4,737	5,985	535	629
Total current assets	41,728	33,222	23,254	27,334
Total assets	66,661	56,043	54,056	58,136
EQUITY AND LIABILITIES				
Equity				
Share capital	37,126	36,243	37,126	36,243
Reserve	(35,781)	(32,607)		-
Retained earnings	35,740	34,510	16,846	21,784
Equity attributable to the owners of the Company	37,085	38,146	53,972	58,027
Non-controlling interests	(168)	198	-	-
Total equity	36,917	38,344	53,972	58,027
Non-current liabilities				
Deferred tax liabilities	1,384	1,269	-	-
Bank borrowings	2,140	3,014	-	-
Total non-current liabilities	3,524	4,283	-	-
Current liabilities				
Trade and other payables	10,462	5,519	84	109
Derivative financial instruments	134	143	-	-
Bank borrowings	15,624	7,754	-	-
Total current liabilities	26,220	13,416	84	109
Total liabilities	29,744	17,699	84	109
Total equity and liabilities	66,661	56,043	54,056	58,136

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

	31-Mar-17		30-June-16	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	15,624	-	7,754	-
Amount repayable after one year	2,140	-	3,014	-
Total borrowings	17,764	-	10,768	-

Details of collaterals

As at 31 March 2017 and 30 June 2016, 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
(v) corporate guarantees; and
(vi) personal guarantees provided by certain directors, related parties and a third party

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	3QFY2017 3 Months Ended		9MFY2017 9 months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	S$'000	S$'000	S$'000	S$'000
Operating activities				
Profit before income tax	884	1,690	2,332	5,547
Adjustments for:				
Share of profits from associates	(301)	(147)	(578)	(543)
Depreciation expense	255	307	773	749
Allowance for doubtful debts	-	-	3	-
Interest expense	153	219	404	395
Interest income	(10)	(1)	(29)	(2)
Unrealised exchange differences	294	(1,024)	(2,032)	(2,068)
Operating cash flows before movements in working capital	1,275	1,044	873	4,078
Movements in working capital				
Inventories	(1,468)	(135)	(3,585)	(3,098)
Trade and other receivables	(2,840)	(437)	(5,629)	(2,147)
Trade and other payables	666	(974)	4,943	(764)
Cash used in operations	(2,367)	(502)	(3,398)	(1,931)
Interest paid	(153)	(219)	(404)	(395)
Income taxes paid	(205)	(263)	(798)	(681)
Net cash used in operating activities	(2,725)	(984)	(4,600)	(3,007)
Investing activities				
Acquisition of property, plant and equipment	(510)	(1,184)	(3,477)	(3,391)
Withdrawal/(Placement) of fixed deposits	882	-	867	-
Interest received	10	1	29	2
Net cash from/(used in) investing activities	382	(1,183)	(2,581)	(3,389)
Financing activities				
Net drawdown of borrowings (Net)	3,510	232	6,997	4,583
Dividend paid	-	-	(197)	-
Net cash from financing activities	3,510	232	6,800	4,583
Net increase/(decrease) in cash and cash equivalents	1,167	(1,935)	(381)	(1,813)
Cash and cash equivalents at beginning of financial period	4,453	6,152	5,406	5,905
Effects on currency translation on cash and cash equivalents	(883)	109	(288)	234
Cash and cash equivalents at end of financial period	4,737	4,326	4,737	4,326
Cash and cash equivalents comprised the following:				
Cash and bank balances	4,737	4,905	4,737	4,905
Less: Fixed deposits pledged to bank	-	(579)	-	(579)
	4,737	4,326	4,737	4,326

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

	Group						
	Attributable to owners of the Company						
	Share capital S$'000	Merger reserve S$'000	Foreign currency translation reserves S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total S$'000
Balance as at 1 July 2016	36,243	(25,940)	(6,667)	34,510	38,146	198	38,344
Issuance of shares, net of expenses directly attributable to issuance of new shares	883	-	-	-	883	-	883
Profit for the financial period	-	-	-	2,334	2,334	(375)	1,959
Dividend	-	-	-	(1,104)	(1,104)	-	(1,104)
Other comprehensive loss							
Exchange differences on translating foreign operations	-	-	(3,174)	-	(3,174)	9	(3,165)
Balance as at 31 March 2017	37,126	(25,940)	(9,841)	35,740	37,085	(168)	36,917
Balance as at 1 July 2015	36,243	(25,940)	(2,423)	29,060	36,940	163	37,103
Profit for the financial period	-	-	-	4,908	4,908	(303)	4,605
Other comprehensive loss							
Exchange differences on translating foreign operations	-	-	(2,745)	-	(2,745)	20	(2,725)
Balance as at 31 March 2016	36,243	(25,940)	(5,168)	33,968	39,103	(120)	38,983

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

	Company		
	Share capital S$'000	**Accumulated losses S$'000**	**Total S$'000**
Balance as at 1 July 2016	36,243	21,784	58,027
Issuance of new shares, net of expenses directly attributable to issuance of new shares	883	-	883
Total comprehensive loss for the period	-	(3,833)	(3,833)
Dividend	-	(1,104)	(1,104)
Balance as at 31 March 2017	37,126	16,847	53,973
Balance as at 1 July 2015	36,243	(1,076)	35,167
Total comprehensive loss for the period	-	(281)	(281)
Balance as at 31 March 2016	36,243	(1,357)	34,886

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 1 January 2017	191,460,054	37,125,570
Issued and paid-up share capital as at 31 March 2017	191,460,054	37,125,570

There were no changes to the Company's issued and paid up share capital from 1 January 2017 to 31 March 2017. As at 31 March 2017 and 31 March 2016, the Company had no outstanding convertibles, treasury shares and subsidiary holdings.

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

	Company	
	31-Mar-17	30-June-16
Total number of issued shares excluding treasury shares	191,460,054	188,023,530

As at 31 March 2017 and 30 June 2016, 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 2017, 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 2017, 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 2016.

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 period as compared to the audited financial statements as at 30 June 2016, except for the adoption of the Financial Reporting Standard (FRS) and Interpretations of FRS (INT FRS) which become effective for the financial year beginning on or after 1 January 2017. The adoption of these new and revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

6. EARNINGS PER SHARE

	3QFY2017 3 months ended		9MFY2017 9 months ended	
	31-March-17	31-March-16	31-March-17	31-March-16
Profit attributable to owners of the Company (S$'000)	946	1,675	2,334	4,908
Weighted average number of ordinary shares	191,460,054	188,023,530	189,403,156	188,023,530
Earnings per share (basic and diluted)(cents)	0.49	0.89	1.23	2.61

Diluted earnings per share for the third quarter and nine months ended 31 March 2017 and 31 March 2016 is the same as the basic earnings per share as there were no dilutive securities outstanding during the periods presented.

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

	Group		Company	
	31-March-17	30-June-16	31-March-17	30-June-16
NAV per share (cents)	19.28	20.39	28.19	30.86
Total NAV (including non-controlling interests) (S$'000)	36,917	38,344	53,972	58,027
Number of ordinary shares used in computation of NAV per share	191,460,054	188,023,530	191,460,054	188,023,530

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue
Revenue increased by approximately S$3.3 million or 7.4%, from S$45.2 million in the 9 months period ended 31 March 2016 ("**9MFY2016**") to S$48.5 million in the 9 months financial period ended 31 March 2017 ("**9MFY2017")**, mainly due to an increase in the volume of gloves produced and sold.

The Group's expansion of production capacity to 2.4 billion gloves per annum within the financial year ending 30 June 2017 is on track. The new production lines adding to the new capacity have been progressively coming on stream in 9MFY2017. However, this increase was moderated by the temporary reduction of capacity of certain older production lines for upgrading to increase productivity and efficiency.

For the third quarter ended 31 March 2017 ("**3QFY2017**"), revenue generated amounted to S$17.6 million as compared to S$15.0 million for the third quarter ended 31 March 2016 ("**3QFY2016**"). The increase in revenue of S$2.5 million or 16.8% was mainly due to an increase in the volume of gloves produced and sold.

Cost of Sales
Cost of sales increased by S$6.2 million from S$34.6 million in 9MFY2016 to S$40.8 million in 9MFY2017, in tandem with the increase in revenue and rising raw material costs. Coupled with the increase in gas tariff, this led to a 17.8% increase in cost of sales to S$40.8 million.

In 3QFY2017, cost of sales increased to S$14.3 million as compared to S$11.7 million, representing a 22.2% increase, mainly due to an increase in raw material costs.

Gross Profit and Gross Profit Margin
Gross profit reduced by S$2.8 million from S$10.6 million in 9MFY2016 to S$7.7 million in 9MFY2017. The Group's gross profit margin reduced from 23.4% in 9MFY2016 to 15.9% in 3QFY2017, mainly due to the increase in raw materials price.

Gross profit for 3QFY2017 and 3QFY2016 remained fairly stable at approximately S$3.3 million while gross profit margin decreased to 18.7% in 3QFY2017 from 22.3% in 3QFY2016 due to the reasons described above.

Other income

Other income remained fairly consistent for both 9MFY2017 and 9MFY2016 at approximately S$1.4 million. The presence of the realised and unrealised foreign exchange gains in 9MFY2017 amounted to S$921,000 and S$383,000 respectively due to the weakening of the Ringgit Malaysia against the US Dollars. However, this was offset by the absence of a fair value gain on financial derivatives in 9MFY2017 amounting to S$1,357,000.

Other income decreased by S$1.0 million for 3QFY2017 from S$1.4 million in 3QFY2016 to S$0.4 million. The decrease was due to the absence of fair value gain on financial derivatives of S$1.4 million in 3QFY2017, partially mitigated by the presence of the realised and unrealised foreign exchange gains amounting to S$46,000 and S$306,000 respectively in the same period, due to the weakening of the Ringgit Malaysia against the US Dollars.

Marketing and Distribution Expenses
Marketing and distribution expenses remained fairly consistent for both 9MFY2017 and 9MFY2016 at S$1.3 million as the Group continues to expand its distribution network in the UK, China and Nigeria.

For 3QFY2016 and 3QFY2017, marketing and distribution expenses decreased by S$0.1 million from S$0.6 million to S$0.5 million as a result of lesser commission paid to the Group's glove retail distributors.

Administrative Expenses
Administrative expenses increased by S$0.6 million or 12.5% from S$4.5 million in 9MFY2016 to S$5.1 million in 9MFY2017, mainly due to losses incurred for hedging contracts by the UK subsidiary due to the recent strengthening of British Pounds against the US Dollars and increase in general administrative running costs.

Administrative expenses increased by S$0.9 million or 82.3% from S$1.1 million in 3QFY2016 to S$2.0 million in 3QFY2017 mainly due to losses incurred for hedging contracts by the UK subsidiary and increase in general administrative running costs.

Other Expenses
Other expenses reduced by S$0.1 million or 24.3% from S$0.7 million in 9MFY2016 to S$0.6 million in 9MFY2017 due to lesser realised foreign exchange losses recognised in 9MFY2017. but offset by unrealised foreign exchange losses that was absent in 9MFY2016.

In 3QFY2017, other expenses reduced to S$0.4 million from S$1.3 million in 3QFY2016 mainly due to reductions in realised and unrealised foreign exchange losses of S$316,000 and S$570,000 respectively.

Finance Costs
Finance costs remained fairly consistent for both 9MFY2017 and 9MFY2016 at S$0.4 million as well as for 3QFY2017 and 3QFY2016 at S$0.2 million.

Share of Profits from Associates
The Group's share of results of associates amounted to S$0.58 million in 9MFY2017, an increase of S$0.04 million as compared to S$0.54 million in 9MFY2016 due to higher profits of the German and US's associates.

Share of profits from associates increased by S$0.2 million from S$0.1 million in 3QFY2016 to S$0.3 million in 3QFY2017 mainly due to higher profits of the German and US's associates.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 March 2017

Non-current Assets
Non-current assets increased by S$2.1 million from S$22.8 million as at 30 June 2016 to S$24.9 million as at 31 March 2017, mainly due to acquisition of property, plant and equipment of S$3.5 million and recognition of associates' profits of S$0.6 million, partially offset by depreciation charge of S$0.8 million and foreign exchange translation loss of approximately S$1.1 million resulting from converting Malaysian subsidiaries' property, plant and equipment's net book value.

Current Assets
Current assets increased by S$8.6 million from S$33.2 million as at 30 June 2016 to S$41.7 million as at 31 March 2017, mainly due to:

(a) Increase in inventories by S$3.6 million or 26.4% from S$13.6 million as at 30 June 2016 to S$17.2 million as at 31 March 2017. The increase in inventories was a result of the Group's continuous effort to stock up gloves' inventories in the Group's overseas warehouses to cater for demand of the Group's products without compromising the delivery lead time to end customers.
(b) Increase in trade and other receivables by S$6.1 million or 45.2% from S$13.7 million as at 30 June 2016 to S$19.8 million as at 31 March 2017. The increase was due to the longer credit term given to long term customers and increase in tax recoverable from tax authority in Malaysia.
(c) Decrease in cash and bank balances by S$1.2 million or 20.8% from S$6.0 million as at 30 June 2016 to S$4.7 million as at 31 March 2017.

Equity
Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The decrease in equity of $1.4 million was mainly due to:

(a) dividend paid of S$1.1 million;
(b) decrease in share of results by non-controlling interests of S$0.4 million; and
decrease in foreign currency translation reserves of S$3.2 million mainly due to weakening of Malaysian Ringgit (functional currency of major subsidiaries) against Singapore Dollars (presentation currency).
This decrease was partially offset by scrip dividend issued of S$1.0 million and profit attributable to owners of the Company for the financial period of S$2.3 million.

Non-current liabilities
Non-current liabilities decreased by S$0.8 million from S$4.3 million as at 30 June 2016 to S$3.5 million as at 31 March 2017, mainly due to repayment of term loans.

Current liabilities
Current liabilities increased by S$12.8 million from S$13.4 million as at 30 June 2016 to S$26.2 million as at 31 March 2017, mainly due to:
(a) Increase of S$7.8 million of bank borrowings from a new bank facility obtained; and
(b) Increase of S$5.0 million in trade and other payables mainly due to an increase in raw material costs.

(C) REVIEW OF GROUP'S CASH FLOWS

In 9MFY2017, the net cash used in operations amounted to S$4.6 million. This comprises of positive operating cash flows before changes in working capital of S$0.87 million, adjusted by net working capital outflow of S$4.27 million, interest and taxes paid of S$0.4 million and S$0.8 million respectively. The net working capital outflow was mainly due to increases in inventories and trade and other receivables of S$3.59 million and S$5.63 million respectively, partially offset by increase in trade and other payables of S$4.94 million.

Net cash used in investing activities amounted to S$2.58 million in 9MFY2017. This was mainly due to the purchases of property, plant and equipment of S$3.48 million, partially offset by withdrawal of fixed deposits of S$0.87 million.

Net cash from financing activities amounted to S$6.8 million in 9MFY2017. This was mainly due to a net drawdown of borrowings from a new bank facility obtained, partially offset by the repayment of term loans, of S$7.0 million and offset by the payment of cash dividend of S$0.2 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 Group's expansion plan has been progressing well. The Group is expected to increase its production capacity to cope with the expected increase in market demand for the Group's products. The Group is on track with achieving its target annual production capacity of 2.4 billion gloves by the end of the financial year ending 30 June 2017. The movement in commodity prices (which affects the price of raw materials of the Group) and fluctuation of US and other currencies which the Group deals with are macro-economics factors which will continue to challenge the Group.

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.

13. GENERAL MANDATE FOR INTEREST PERSON TRANSACTIONS ("IPT")

The Company does not have an 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 financial results for the 3rd quarter and 9 months financial period ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board,

LEE KECK KEONG
Executive Director and CEO

LEE JUN YIH
Executive Director

By order of the Board
UG Healthcare Corporation Limited

LEE KECK KEONG
Executive Director and CEO

12 May 2017