



UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

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.

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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- SECOND QUARTER ("2QFY2018") AND 6 MONTHS ENDED 31 DECEMBER 2017 ("1HFY2018")

	2QFY2018 3 months ended			1HFY2018 6 months ended		
	31-Dec-17 S\$'000	31-Dec-16 S\$'000	Increase/ (Decrease) %	31-Dec-17 S\$'000	31-Dec-16 S\$'000	Increase/ (Decrease) %
Revenue	18,283	15,304	19.5	36,548	30,960	18.1
Cost of sales	(15,027)	(13,076)	14.9	(30,324)	(26,509)	14.4
Gross profit	3,256	2,228	46.1	6,224	4,451	39.8
Other income	537	372	44.4	998	1,026	(2.7)
	3,793	2,600	45.9	7,222	5,477	31.9
Marketing and distribution expenses	(399)	(357)	11.8	(739)	(664)	11.3
Administrative expenses	(2,190)	(1,468)	49.2	(4,175)	(3,249)	28.5
Other expenses	(27)	(13)	>100.0	(57)	(143)	(60.1)
Finance costs	(134)	(130)	3.1	(298)	(251)	18.7
Share of profits from associates	138	60	>100.0	321	277	15.9
Profit before tax	1,181	692	70.7	2,274	1,447	57.2
Income tax expense	(151)	(127)	18.9	(340)	(235)	44.7
Profit for the period	1,030	565	82.3	1,934	1,212	59.6
Other comprehensive loss						
Exchange difference on translating foreign operations	(296)	1,088	N.M.	(1,191)	(3,300)	(63.9)
Total comprehensive (loss)/ income for the period	734	1,653	(55.6)	743	(2,088)	N.M.
Profit/(loss) attributable to:						
Owners of the Company	1,044	597	74.9	1,903	1,386	37.3
Non-controlling interests	(14)	(32)	(56.3)	31	(174)	N.M.
	1,030	565	82.3	1,934	1,212	59.6
Total comprehensive income/(loss) attributable to:						
Owners of the Company	743	1,509	(50.8)	721	(2,090)	N.M.
Non-controlling interests	(9)	144	N.M.	22	2	>100.0
	734	1,653	(55.6)	743	(2,088)	N.M.
Earnings per share (cents)						
Basic and diluted	0.54	0.31		0.99	0.72	

N.M. – not meaningful

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

	2QFY2018 3 months ended			1HFY2018 6 months ended		
	31-Dec-17 S\$'000	31-Dec-16 S\$'000	Increase/ (Decrease) %	31-Dec-17 S\$'000	31-Dec-16 S\$'000	Increase/ (Decrease) %
Interest income	(11)	(17)	(35.3)	(20)	(17)	17.7
Foreign exchange gain – unrealised	(488)	-	N.M.	(497)	(78)	>100.0
Foreign exchange gain – realised	(53)	(344)	(84.6)	(465)	(874)	(46.8)
Foreign exchange loss – unrealised	-	14	N.M.	-	-	N.M.
Foreign exchange loss – realised	2	-	N.M.	8	-	N.M.
Sundry income	15	(11)	N.M.	(16)	(51)	(68.6)
Interest expense on borrowings	134	130	3.1	298	251	18.7
Allowance for doubtful debts	-	3	N.M.	-	3	N.M.
Depreciation	359	260	38.1	704	518	35.9
Property, plant and equipment written off	192	-	N.M.	210	-	N.M.
Amortisation of intangible assets	4	-	N.M.	4	-	N.M.

N.M. – not meaningful

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

	Group		Company	
	31-Dec-17 S\$'000	30-June-17 S\$'000	31-Dec-17 S\$'000	30-June-17 S\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	33,091	33,091
Associates	5,571	5,578	-	-
Property, plant and equipment	20,325	19,164	-	-
Intangible assets	257	261	-	-
Deferred tax assets	396	396	-	-
Total non-current assets	26,549	25,399	33,091	33,091
Current assets				
Inventories	16,797	15,699	-	-
Amount due from subsidiaries	-	-	19,536	20,486
Trade and other receivables	21,288	21,289	47	2
Derivative financial assets	330	316	-	-
Cash and bank balances	5,172	3,538	523	537
Total current assets	43,587	40,842	20,106	21,025
Total assets	70,136	66,241	53,197	54,116
EQUITY AND LIABILITIES				
Equity				
Share capital	37,126	37,126	37,126	37,126
Reserve	(36,944)	(35,842)	80	-
Retained earnings	37,753	35,850	15,911	16,877
Equity attributable to the owners of the Company	37,935	37,134	53,117	54,003
Non-controlling interests	(53)	(75)	-	-
Total equity	37,882	37,059	53,117	54,003
Non-current liabilities				
Deferred tax liabilities	1,641	1,535	-	-
Bank borrowings	4,495	1,654	-	-
Total non-current liabilities	6,136	3,189	-	-
Current liabilities				
Trade and other payables	11,845	8,760	80	113
Bank borrowings	14,273	17,233	-	-
Total current liabilities	26,118	25,993	80	113
Total liabilities	32,254	29,182	80	113
Total equity and liabilities	70,136	66,241	53,197	54,116

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

	31-December-17		30-June-17	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	14,273	-	17,233	-
Amount repayable after one year	4,495	-	1,654	-
Total borrowings	<u>18,768</u>	<u>-</u>	<u>18,887</u>	<u>-</u>

Details of collaterals

As at 31 December 2017 and 30 June 2017, 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

	2QFY2018		1HFY2018	
	3 Months Ended		6 months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before income tax	1,181	692	2,274	1,447
Adjustments for:				
Share of profits from associates	(138)	(60)	(321)	(277)
Depreciation expense	359	260	704	518
Allowance for doubtful debts	-	3	-	3
Interest expense	134	130	298	251
Interest income	(11)	(17)	(20)	(17)
Property, plant and equipment written off	192	-	210	-
Unrealised exchange differences	(638)	1,938	(318)	(2,325)
Operating cash flows before movements in working capital	1,079	2,946	2,827	(400)
<i>Movements in working capital</i>				
Inventories	(1,572)	(3,231)	(1,098)	(2,118)
Trade and other receivables	(745)	(3,365)	(31)	(2,789)
Trade and other payables	1,821	1,779	1,783	4,277
Cash used in operations	583	(1,871)	3,481	(1,030)
Interest paid	(134)	(130)	(298)	(251)
Income taxes paid	(224)	11	(551)	(592)
Net cash used in operating activities	225	(1,990)	2,632	(1,873)
Investing activities				
Acquisition of property, plant and equipment	(690)	(1,170)	(1,185)	(2,966)
Dividend received	285	-	285	-
Withdrawal/(Placement) of fixed deposits	(677)	(575)	(508)	(16)
Interest received	11	17	20	17
Net cash from/(used in) investing activities	(1,071)	(1,728)	(1,388)	(2,965)
Financing activities				
Drawdown of borrowings	8,383	17,077	20,912	26,408
Repayment of borrowings	(9,699)	(14,982)	(21,030)	(22,921)
Dividend paid	-	(197)	-	(197)
Net cash from financing activities	(1,316)	1,898	(118)	3,290
Net (decrease)/increase in cash and cash equivalents	(2,162)	(1,820)	1,126	(1,548)
Cash and cash equivalents at beginning of financial period	6,656	5,697	3,538	5,406
Effects on currency translation on cash and cash equivalents	678	576	508	595
Cash and cash equivalents at end of financial period	5,172	4,453	5,172	4,453
Cash and cash equivalents comprised the following:				
Cash and bank balances	5,172	4,540	5,172	4,540
Less: Bank overdraft	-	(87)	-	(87)
	5,172	4,453	5,172	4,453

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

	Group								
	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Merger reserve	Foreign currency translation reserves	Share-based payment reserve	Retained earnings	Total			
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
Balance as at 1 July 2017	37,126	(25,940)	(9,902)	-	35,850	37,134	(75)	37,059	
Share option	-	-	-	80	-	80	-	80	
Profit for the financial period	-	-	-	-	1,903	1,903	31	1,934	
Other comprehensive loss									
Exchange differences on translating foreign operations	-	-	(1,182)	-	-	(1,182)	(9)	(1,191)	
Balance as at 31 December 2017	37,126	(25,940)	(11,084)	80	37,753	37,935	(53)	37,882	
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	-	-	-	-	1,387	1,387	(174)	1,213	
Dividend	-	-	-	-	(1,104)	(1,104)	-	(1,104)	
Other comprehensive loss									
Exchange differences on translating foreign operations	-	-	(3,298)	-	-	(3,298)	(2)	(3,300)	
Balance as at 31 December 2016	37,126	(25,940)	(9,965)	-	34,793	36,014	22	36,036	

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

	Company			
	Share capital	Share-based payment reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 July 2017	37,126	-	16,877	54,003
Share option	-	80	-	80
Total comprehensive loss for the period	-	-	(966)	(966)
Balance as at 31 December 2017	37,126	80	15,911	53,117
Balance as at 1 July 2016	36,243	-	21,784	58,027
Issuance of shares, net of expenses directly attributable to issuance of new shares	883	-	-	883
Total comprehensive income for the period	-	-	1,602	1,602
Dividend	-	-	(1,104)	(1,104)
Balance as at 31 December 2016	37,126	-	22,282	59,408

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

There were no changes to the Company's issued and paid up share capital from 30 September 2017 to 31 December 2017. Other than the 1,570,000 share options granted to eligible employee on 28 August 2015 under the Unigloves Employee Share Option Scheme, the Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2017 and 31 December 2016 respectively.

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

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

As at 31 December 2017 and 30 June 2017, 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 December 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 December 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 2017.

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 2017, except for the adoption of the Financial Reporting Standard (FRS) which become effective for the financial year beginning on or after 1 January 2017. The adoption of these revised 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

	2QFY2018		1HFY2018	
	Three months ended		Six months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Profit attributable to owners of the Company (S\$'000)	<u>1,044</u>	<u>597</u>	<u>1,903</u>	<u>1,386</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of				
Basic share	191,460,054	191,460,054	191,460,054	191,460,054
Effect of dilution from share options	<u>274,036</u>	<u>569,607</u>	<u>274,036</u>	<u>569,607</u>
Diluted share	<u>191,734,090</u>	<u>192,029,661</u>	<u>191,734,090</u>	<u>192,029,661</u>
Earnings per share (cents)				
Basic and diluted	<u>0.54</u>	<u>0.31</u>	<u>0.99</u>	<u>0.72</u>

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

	Group		Company	
	31- December- 17	30- June- 17	31- December- 17	30- June- 17
NAV per share (cents)	<u>19.79</u>	<u>19.36</u>	<u>27.74</u>	<u>28.21</u>
Total NAV (including non-controlling interests) (S\$'000)	<u>37,882</u>	<u>37,059</u>	<u>53,117</u>	<u>54,003</u>
Number of ordinary shares used in computation of NAV per share	<u>191,460,054</u>	<u>191,460,054</u>	<u>191,460,054</u>	<u>191,460,054</u>

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue

Revenue increased by approximately S\$5.6 million or 18.0%, from S\$31.0 million in the six months ended 31 December 2016 ("1HFY2017") to S\$36.5 million in the six months ended 31 December 2017 ("1HFY2018"). This was mainly due to the increase in the volume of gloves produced and sold, as well as the increase in average selling price of the Group's products.

For the second quarter ended 31 December 2017 ("2QFY2018"), revenue generated amounted to S\$18.3 million as compared to S\$15.3 million for the second quarter ended 31 December 2016 ("2QFY2017"). The increase in revenue of approximately S\$3.0 million or 19.5% was mainly due to the same reasons described above.

Cost of Sales

Cost of sales increased by approximately S\$3.8 million from S\$26.5 million in 1HFY2017 to S\$30.3 million in 1HFY2018, in tandem with the increase in revenue.

In 2QFY2018, cost of sales increased to S\$15.0 million as compared to S\$13.1 million in 2QFY2017, representing a 14.9% increase, mainly due to increase production of gloves and sold.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately S\$1.8 million or 39.8% from S\$4.5 million in 1HFY2017 to S\$6.2 million in 1HFY2018. Group's gross profit margin increased from 14.4% in 1HFY2017 to 17.0% in 1HFY2018. The increase was mainly due to the increase in average selling price of the Group's products

Gross profit increased approximately by S\$1.0 million or 46.1% from S\$2.2 million in 2QFY2017 to S\$3.3 million in 2QFY2018. The Group's gross profit margin increased from 14.6% in 2QFY2017 to 17.8% in 2QFY2018 due to the same reason described above.

Other income

Other income remained fairly consistent for both 1HFY2018 and 1HFY2017 at approximately S\$1.0 million which were mainly accounted for by realised and unrealised foreign exchange gains.

Other income increased by approximately S\$0.17 million or 44.4% from S\$0.37 million in 2QFY2017 to S\$0.54 million in 2QFY2018. This was mainly due to the presence of unrealised foreign exchange gain amounting to S\$0.49 million, and partially offset by the decrease in realised foreign exchange gain amounting to S\$0.29 million.

Marketing and Distribution Expenses

Marketing and distribution expenses increased by S\$75,000 or 11.3% from S\$664,000 in 1HFY2017 to S\$739,000 in 1HFY2018 as the Group continued to expand its distribution network.

Accordingly, marketing and distribution expenses increased by approximately S\$42,000 or 11.8% from S\$357,000 in 2QFY2017 to S\$399,000 in 2QFY2018.

Administrative Expenses

Administrative expenses increased by approximately S\$1.0 million or 28.5% from S\$3.2 million in 1HFY2017 to S\$4.2 million in 1HFY2018. This was mainly due to the increase in staff costs, resulting from increase in staff workforce as well as salary increment.

As aforementioned, administrative expenses increased by approximately S\$0.7 million or 49.2% from S\$1.5 million in 2QFY2017 to S\$2.2 million in 2QFY2018 due to the reasons set out above.

Other Expenses

Other expenses reduced by approximately S\$86,000 from S\$143,000 in 1HFY2017 to S\$57,000 in 1HFY2018, mainly due to the reduction in factoring and miscellaneous charges.

The change in other expenses in 2QFY2018 compared to 2QFY2017 is negligible.

Finance Costs

Finance costs increased by approximately S\$47,000 or 18.7% from S\$251,000 in 1HFY2017 to S\$298,000 in 1HFY2018, due to the increase in interests arising from utilisation of trade facilities.

Finance costs remained constant at approximately S\$0.13 million in 2QFY2018 and 2QFY2017.

Share of Profits from Associates

The Group's share of profits from associates amounted to S\$0.32 million in 1HFY2018, an increase of approximately S\$44,000 as compared to S\$0.28 million in 1HFY2017, as a result of higher profits from the German associated company.

Share of profits from associates increased by S\$78,000 from S\$60,000 in 2QFY2017 to S\$138,000 in 2QFY2018 due to the above reason.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 December 2017

Non-current Assets

Non-current assets increased by approximately S\$1.2 million from S\$25.4 million as at 30 June 2017 to S\$26.5 million as at 31 December 2017, mainly due to acquisition of property, plant and equipment of S\$1.2 million.

Current Assets

Current assets increased by approximately S\$2.8 million from S\$40.8 million as at 30 June 2017 to S\$43.6 million as at 31 December 2017, mainly due to:

- (a) Increase in cash and bank balances by S\$1.6 million or 46.2% from S\$3.5 million as at 30 June 2017 to S\$5.2 million as at 31 December 2017;
- (b) Increase in inventories of S\$1.1 million or 7.0% from S\$15.7 million as at 30 June 2017 to S\$16.8 million as at 31 December 2017.

Equity

Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The total equity of the Group increased by approximately S\$0.8 million or 2.2% from S\$37.1 million as at 30 June 2017 to S\$37.9 million as at 31 December 2017.

Non-current Liabilities

Non-current liabilities increased by approximately S\$2.9 million from S\$3.2 million as at 30 June 2017 to S\$6.1 million as at 31 December 2017, mainly due to drawdown of new term loan facilities, which will be used for the Group's expansion of its production facility.

Current Liabilities

Current liabilities increased by S\$0.1 million from S\$26.0 million as at 30 June 2017 to S\$26.1 million as at 31 December 2017, mainly due to the increase of S\$3.1 million in trade and other payables mainly due to increase in raw materials purchased. The increase was partially offset by the reduction of S\$3.0 million of bank borrowing due to lower trade financing facility utilised as at quarter end of 2QFY2018 as a result of advance payment from new customers.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1HFY2018, the net cash generated from operations amounted to S\$2.6 million. This comprises of positive operating cash flows before changes in working capital of approximately S\$2.8 million, net working capital inflow of S\$0.7 million and by interest and taxes paid of S\$0.30 million and S\$0.6 million respectively. The net working capital inflow was mainly due to increase in trade and other payables of S\$1.8 million, partially offset by increase in inventories and trade and other receivables of S\$1.1 million and S\$0.03 million respectively.

Net cash used in investing activities amounted to S\$1.4 million in 1HFY2018. This was due to the purchases of property, plant and equipment of S\$1.2 million, increase in the placement of fixed deposits of S\$0.5 million, and partially offset by dividend received from the German associate of S\$0.3 million.

Net cash used in financing activities amounted to S\$0.1 million in 1HFY2018. This was due to repayment of total borrowings of S\$21.0 million, partially offset by the drawdown of borrowings from the trade and term loan facilities of S\$20.9 million mainly for the new production facility.

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 is progressing well. The new production facility, which is able to generate another 500 million gloves per annum and increasing the Group's current production capacity to 2.9 billion gloves per annum, is expected to start commercialization by 4th quarter of 2018.

While volatile movements in commodity prices that affect prices of raw materials and fluctuations in the US dollar and other currencies that the Group deals with, will continue to be a challenge to the Group.

The Group will continue to drive growth and manage the value chain seamlessly and efficiently through maximising its integrated upstream manufacturing and downstream distribution channels with its proprietary "Unigloves" brand of disposable gloves products.

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 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 second quarter and six months financial period ended 31 December 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 February 2018