UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

QUARTERLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

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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.

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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- FIRST QUARTER AND 3 MONTHS ENDED 30 SEPTEMBER 2018

	Group Three months ended		
	30-September-18 S$'000	30-September-17 S$'000	Increase/ (Decrease) %
Revenue	20,344	18,265	11.4
Cost of sales	(15,912)	(15,296)	4.0
Gross profit	4,432	2,969	49.3
Other income	376	457	(17.7)
	4,808	3,426	40.3
Marketing and distribution expenses	(504)	(463)	8.9
Administrative expenses	(2,567)	(1,861)	37.9
Other expenses	(455)	(30)	>100
Finance costs	(362)	(162)	>100
Share of profits from associates	235	183	28.4
Profit before tax	1,155	1,093	5.7
Income tax expense	(316)	(189)	67.2
Profit for the period	839	904	(7.2)
Other comprehensive loss			
Exchange differences on translating foreign operations	(762)	(895)	(14.9)
Total comprehensive income/(loss) for the period	77	9	>100
Profit/(loss) attributable to:			
Owners of the Company	1,038	859	20.8
Non-controlling interests	(199)	45	N.M.
	839	904	(7.2)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	403	(22)	N.M.
Non-controlling interests	(326)	31	N.M.
	77	9	>100
Earnings per share (cents)			
Basic	0.54	0.45	
Diluted	0.54	0.45	

N.M. – not meaningful

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

	Group Three months ended		
	30-September-18 S$'000	30-September-17 S$'000	Increase/ (Decrease) %
Interest income	(6)	(9)	(33.3)
Net foreign exchange loss/(gain) – unrealised	415	(6)	N.M.
Net foreign exchange gain – realised	(281)	(406)	(30.8)
Sundry income	(89)	(31)	>100
Interest expense on borrowings	362	162	>100
Depreciation	373	345	8.1
Property, plant and equipment written off	101	18	>100
Amortisation of intangible assets	2	-	N.M.
Loss on disposal of property, plant and equipment	12	-	N.M.

N.M. – not meaningful

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

	Group		Company	
	30-September-18 S$'000	30-June-18 S$'000	30-September-18 S$'000	30-June-18 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	32,621	32,621
Associates	5,909	5,869	-	-
Property, plant and equipment	24,760	23,364	-	-
Intangible assets	274	251	-	-
Deferred tax assets	416	516	-	-
Total non-current assets	31,359	30,000	32,621	32,621
Current assets				
Inventories	25,697	22,130	-	-
Amount due from subsidiaries	-	-	18,200	18,063
Trade and other receivables	28,102	26,323	38	16
Derivative financial assets	-	-	-	-
Cash and bank balances	5,379	6,731	329	528
Total current assets	59,178	55,184	18,567	18,607
Total assets	90,537	85,184	51,188	51,228
EQUITY AND LIABILITIES				
Equity				
Share capital	37,126	37,126	37,126	37,126
Reserve	(35,974)	(35,354)	125	110
Retained earnings	41,231	40,185	13,813	13,859
Equity attributable to the owners of the Company	42,383	41,957	51,064	51,095
Non-controlling interests	(409)	(83)	-	-
Total equity	41,974	41,874	51,064	51,095
Non-current liabilities				
Deferred tax liabilities	2,046	2,092	-	-
Bank borrowings	5,995	5,478	-	-
Total non-current liabilities	8,041	7,570	-	-
Current liabilities				
Trade and other payables	14,624	13,625	124	133
Derivative financial liabilities	737	753	-	-
Bank borrowings	25,161	21,362		
Total current liabilities	40,522	35,740	124	133
Total liabilities	48,563	43,310	124	133
Total equity and liabilities	90,537	85,184	51,188	51,228

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

	30-September-18		30-June-18	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	25,161	-	21,362	-
Amount repayable after one year	5,995	-	5,478	-
Total borrowings	31,156	-	26,840	-

Details of collaterals

As at 30 September 2018 and 30 June 2018, 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

	Group Three months ended	
	30-September-18 S$'000	30-September-17 S$'000
Operating activities		
Profit before income tax	1,155	1,093
Adjustments for:		
Amortisation of intangible assets	2	-
Property, plant and equipment written off	101	-
Loss on disposal of property, plant and equipment	12	-
Depreciation expense	373	345
Interest expense	362	162
Interest income	(6)	(9)
Share of profits from associates	(235)	(183)
Unrealised exchange differences	(111)	320
Operating cash flows before movements in working capital	1,653	1,728
Movements in working capital		
Inventories	(3,567)	473
Trade and other receivables	(1,724)	715
Trade and other payables	690	(38)
Cash (used in)/generated from operations	(2,948)	2,878
Interest paid	(362)	(162)
Income taxes paid	12	(327)
Net cash (used in)/ from operating activities	(3,298)	2,389
Investing activities		
Acquisition of property, plant and equipment	(2,349)	(496)
Addition of intangible assets	(26)	-
Withdrawal of fixed deposits	14	169
Interest received	6	9
Net cash used in investing activities	(2,355)	(318)
Financing activities		
Drawdown of borrowings	18,235	12,529
Repayment of borrowings	(13,919)	(11,332)
Net cash from financing activities	4,316	1,197
Net (decrease)/increase in cash and cash equivalents	(1,337)	3,268
Cash and cash equivalents at beginning of financial period	6,731	2,157
Effects on currency translation on cash and cash equivalents	(15)	18
Cash and cash equivalents at end of financial period	5,379	5,443
Cash and cash equivalents comprised the following:		
Cash and bank balances	5,379	5,568
Less: Bank overdrafts	-	(125)
	5,379	5,443

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

	Attributable to equity holders of the Company							
	Share capital S$'000	Currency translation reserves S$'000	Merger reserve 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 2018	37,126	(9,524)	(25,940)	110	40,193	41,965	(83)	41,882
Profit for the year	-	-	-	-	1,038	1,038	(199)	839
Other comprehensive (loss)/income								
Exchange differences on translating foreign operations	-	(635)	-	-	-	(635)	(127)	(762)
Total comprehensive (loss)/income for the year	-	(635)	-	-	1,038	403	(326)	77
Share option	-	-	-	15	-	15	-	15
Balance as at 30 September 2018	37,126	(10,159)	(25,940)	125	41,231	42,383	(409)	41,974
Balance as at 1 July 2017	37,126	(9,902)	(25,940)	-	35,850	37,134	(75)	37,059
Profit for the year	-	-	-	-	859	859	45	904
Other comprehensive loss								
Exchange differences on translating foreign operations	-	(881)	-	-	-	(881)	(14)	(895)
Total comprehensive (loss)/income for the year	-	(881)	-	-	859	(22)	31	9
Balance as at 30 September 2017	37,126	(10,783)	(25,940)	-	36,709	37,112	(44)	37,068

1(d)(i) STATEMENT 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 2018	37,126	110	13,859	51,095
Loss for the year, representing total comprehensive loss for the year	-	-	(46)	(46)
Share option	-	15	-	15
Balance as at 30 September 2018	37,126	125	13,813	51,064
Balance as at 1 July 2017	37,126	-	16,877	54,003
Loss for the year, representing total comprehensive loss for the year	-	-	(270)	(270)
Balance as at 30 September 2017	37,126	-	16,607	53,733

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 2018	191,460,054	37,125,570
Issued and paid-up share capital as at 30 September 2018	191,460,054	37,125,570

There were no changes to the Company's issued and paid up share capital from 1 July 2018 to 30 September 2018. Other than 1,570,000 share options granted to eligible employees on 28 August 2015 under the Unigloves Employee Share Option Scheme, the Company had no outstanding convertibles, treasury shares and subsidiary holdings as at 30 September 2018 and 30 September 2017 respectively.

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

	Company	
	30-September-18	30-June-18
Total number of issued shares excluding treasury shares	191,460,054	191,460,054

As at 30 September 2018 and 30 June 2018, 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 30 September 2018, 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 30 September 2018, 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 2018.

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 year as compared to the audited financial statements as at 30 June 2018, except for the adoption of the Financial Reporting Standard (FRS) and interpretation of FRS (INT FRS) which become effective for the financial year beginning on or after 1 January 2018. The adoption of these revised FRS and INT FRS does not result in changes to the Group's accounting policies and does not have material effect on the amounts reported for the current or prior financial years.

6. EARNINGS PER SHARE

	Group Three months ended	
	30-September-18	**30-September-17**
Profit attributable to owners of the Company (S$'000)	1,038	859
Number of shares		
Weighted average number of ordinary shares for the purpose of		
Basic share	191,460,054	191,460,054
Effect of dilution from share options	330,383	356,757
Diluted share	191,790,437	191,816,811
Earnings per share (cents)		
Basic	0.54	0.45
Diluted	0.54	0.45

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

	Group		Company	
	30-September-18	30-June-18	30-September-18	30-June-18
NAV per share (cents)	21.92	21.87	26.67	26.69
Total NAV (including non-controlling interests) (S$'000)	41,974	41,874	51,064	51,095
Number of ordinary shares used in computation of NAV per share	191,460,054	191,460,054	191,460,054	191,460,054

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue

Revenue increased by approximately S$2.0 million or 11.4%, from S$18.3 million in the financial period ended 30 September 2017 ("**1QFY2018**") to S$20.3 million in the financial period ended 30 September 2018 ("**1QFY2019")**, mainly due to an increase in the volume of gloves produced and sold resulting from the commencement of new production lines and higher sales through expansion of our distribution networks.

Cost of Sales

In tandem with the increase in revenue, cost of sales increased by S$0.6 million or 4.0% from S$15.3 million in 1QFY2018 to S$15.9 million in 1QFY2019.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately S$1.4 million from S$3.0 million in 1QFY2018 to S$4.4 million in 1QFY2019. The Group's gross profit margin increased from 16.3% in 1QFY2018 to 21.8% in 1QFY2019 mainly due to increase in production efficiency resulting from an increase in manufacturing capacity.

Other income

Other income reduced from approximately S$0.5 million in 1QFY2018 to approximately S$0.4 million in 1QFY2019, a decrease of S$0.1 million or 17.7%. The decrease is mainly due to decrease in realised foreign exchange gain.

Marketing and Distribution Expenses

Marketing and distribution expenses remained fairly stable at approximately S$0.5 million for both 1QFY2019 and 1QFY2018.

Administrative Expenses
Administrative expenses increased by S$0.7 million or 37.9% from S$1.9 million in 1QFY2018 to S$2.6 million in 1QFY2019 were mainly due to the increase in staff costs. The expenses incurred for expansion of distribution network in UK, China and Nigeria had also resulted in the increase of administrative expenses.

Headcount and hiring of key personnel have increase significantly across all departments including Sales and Marketing, Production and Technical, Quality Control, Branding, Logistics, Purchasing as well as various support functions including Customer Service and Business Development.

The Group believes the increase in headcounts are essential to cater for its next phase of growth.

Property, plant and equipment written off is mainly to breakage of glove hand moulds. The expenses increase by S$83,000 from S$18,000 in 1QFY2018 to S$101,000 in 1QFY2019 due to increase in gloves hand moulds used in tandem with increase in production lines.

Other Expenses
Other expenses increased by S$0.43 million from S$0.03 million in 1QFY2018 to S$0.46 million in 1QFY2019 mainly due to the unrealised loss from foreign exchange as Great British Pound, Euro and Renminbi being the functional currency of some of the Company's subsidiaries weakening against the US dollar.

Finance Costs
Finance costs increased by S$0.2 million from S$0.16 million in 1QFY2018 to S$0.36 million in 1QFY2019 due to interest arising from increased utilisation of trade facilities.

Share of Profits from Associates
Share of profits from its German and USA associates increased by 28.4% to S$235,000 in 1QFY2019, as compared with S$183,000 in 1QFY2018.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 30 September 2018

Non-current Assets
Non-current assets increased by S$1.4 million from S$30.0 million as at 30 June 2018 to S$31.4 million as at 30 September 2018, mainly due to acquisition of property, plant and equipment of S$1.4 million for the new production facilities and new production lines.

Current Assets
Current assets increased by S$4.0 million from S$55.2 million as at 30 June 2018 to S$59.2 million as at 30 September 2018, mainly due to:

(a) Increase in inventories of S$3.6 million or 16.1% from S$22.1 million as at 30 June 2018 to S$25.7 million as at 30 September 2018 as the Group stock up its products at its own overseas distribution companies; and

(b) Increase in trade and other receivables by S$1.8 million or 6.8% from S$26.3 million as at 30 June 2018 to S$28.1 million as at 30 September 2018 mainly due to increase in sales of gloves; which were partially offset by

(c) Decrease in cash and bank balances by S$1.4 million or 20.1% from S$6.7 million as at 30 June 2018 to S$5.3 million as at 30 September 2018.

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$0.1 million or 0.2% from approximately S$41.9 million as at 30 June 2018 to approximately S$42.0 million as at 30 September 2018.

Non-current Liabilities
Non-current liabilities increased by approximately S$0.4 million from S$7.6 million as at 30 June 2018 to S$8.0 million as at 30 September 2018, mainly due to drawdown of new term loan facilities, which is being used for the Group's expansion of its production facilities.

Current Liabilities
Current liabilities increased by S$4.8 million from S$35.7 million as at 30 June 2018 to S$40.5 million as at 30 September 2018, mainly due to:

(a) Increase of S$3.8 million or 17.8% in bank borrowings from S$21.4 million as at 30 June 2018 to S$25.2 million as at 30 September 2018 mainly due to increase utilisation of trade facilities; and

(b) Increase of S$1.0 million or 7.3% in trade and other payables from S$13.6 million as at 30 June 2018 to S$14.6 million as at 30 September 2018 mainly due to increase in purchases of raw materials.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1QFY2019, the net cash used in operations amounted to S$3.3 million taking into account the profit after tax of S$1.2 million, adjusted for working capital outflows of S$4.6 million. The net working capital increase was mainly due to increase in inventories and trade and other receivables of S$3.6 million and S$1.7 million respectively.

Net cash used in investing activities amounted to S$2.4 million in 1QFY2019. This was due to the purchases of property, plant and equipment.

Net cash from financing activities amounted to S$4.3 million in 1QFY2019. This was due to a drawdown of borrowings from trade and loan facilities, of S$18.2 million (mainly for the new production line), reduced by the repayment of trade financing borrowings of S$13.9 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 continues to monitor and manage its risks in raw material prices and currency fluctuations closely amidst geopolitical uncertainties, trade issues and macroeconomic conditions. It will continue to work on optimising its capabilities in both upstream manufacturing and downstream distribution to maximise value from its integrated supply chain model.

Upstream Manufacturing

Phase 1 of the new production facility increasing the Group's total capacity by an additional 500 million gloves per annum to 2.9 billion gloves per annum, has progressively gone into production. The Group expects full commercialisation of the additional 500 million gloves, that takes into account production, distribution, marketing, sales and customer support, to be achieved by December 2018.

The new production facility also has the potential to increase production capacity by another 300 million gloves per annum ("**Phase 2**"), potentially bringing the Group's total capacity to 3.2 billion gloves per annum. The Group will update shareholders on the development of Phase 2 in due course.

Downstream Distribution

The Group intends to drive marketing campaigns to promote its proprietary "Unigloves" brand of disposable gloves through its downstream distribution network. Its established distribution companies in its key markets of Europe, US, China, Nigeria and Brazil, which operate their own warehousing and logistics infrastructure, will focus on driving marketing and sales in their respective markets.

The increased volume of gloves produced by the enhanced production capacity will be marketed and sold through the Group's distribution companies under its proprietary "Unigloves" brand.

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 first quarter and three months financial period ended 30 September 2018 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 November 2018