UG Healthcare Corporation Limited
(Incorporated in Singapore with Unique Entity No.: 201424579Z)
SGX Stock Code: 41A
website: www.ughealthcarecorporation.com

UNAUDITED SECOND HALF AND FULL YEAR FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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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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PART I INFORMATION REQUIRED FOR HALF-YEAR (HY) AND FULL YEAR ANNOUNCEMENTS

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME- SECOND HALF ("2HFY2020") AND FULL YEAR ENDED 30 JUNE 2020 ("FY2020")

	Six months ended			Full year ended		
	30-June-20 2HFY2020 S$'000	30-June-19 2HFY2019 S$'000	Increase/ (Decrease) %	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
Revenue	91,031	50,317	80.9	144,209	91,712	57.2
Cost of sales	(58,275)	(40,266)	44.7	(101,690)	(72,996)	39.3
Gross profit	32,756	10,051	>100.0	42,519	18,716	>100.0
Other income	226	109	>100.0	358	189	89.4
	32,982	10,160	>100.0	42,877	18,905	>100.0
Marketing and distribution expenses	(2,435)	(1,695)	43.7	(4,003)	(2,815)	42.2
Administrative expenses	(7,340)	(6,966)	5.4	(13,715)	(12,270)	11.8
Other expenses	(5,920)	224	N.M.	(6,273)	(150)	>100.0
Finance costs	(977)	(848)	15.2	(1,985)	(1,618)	22.7
Share of profits from associates	901	380	>100.0	1,156	711	62.6
Profit before tax	17,211	1,255	>100.0	18,057	2,763	>100.0
Income tax expense	(2,431)	(107)	>100.0	(2,971)	(546)	>100.0
Profit for the period	14,780	1,148	>100.0	15,086	2,217	>100.0
Other comprehensive loss						
Exchange difference on translating foreign operations	(3,421)	(778)	>100.0	(4,084)	(2,227)	83.3
Total comprehensive income for the period	11,359	370	>100.0	11,002	(10)	N.M.
Profit/(loss) attributable to:						
Owners of the Company	12,556	1,188	>100.0	13,402	2,507	>100.0
Non-controlling interests	2,224	(40)	N.M.	1,684	(290)	N.M.
	14,780	1,148	>100.0	15,086	2,217	>100.0
Total comprehensive income attributable to:						
Owners of the Company	9,751	399	>100.0	9,987	414	>100.0
Non-controlling interests	1,608	(29)	N.M.	1,015	(424)	N.M.
	11,359	370	>100.0	11,002	(10)	N.M.
Earnings per share (cents)						
Basic	6.40	0.61		6.83	1.30	
Diluted	6.36	0.61		6.79	1.30	

N.M. – not meaningful

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

	Six months ended			Full year ended		
	30-June-20 2HFY2020 S$'000	30-June-19 2HFY2019 S$'000	Increase/ (Decrease) %	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
Interest income	(66)	(62)	6.5	(156)	(83)	88.0
Net foreign exchange loss/(gain) *	5,179	(362)	N.M.	5,388	(66)	N.M.
Sundry income	(166)	(47)	>100.0	(203)	(106)	91.5
Interest expense on borrowings	977	848	15.2	1,985	1,618	22.7
Depreciation	1,435	857	67.4	2,443	1,608	51.9
Property, plant and equipment written off	110	(137)	N.M.	284	299	(5.0)
Amortisation of intangible assets	10	11	(9.1)	20	15	33.3
Allowance for doubtful debts	582	-	N.M.	588	-	N.M.
Bad debts written off	-	20	N.M.	-	21	N.M.
Loss on disposal of property, plant and equipment	5	9	N.M.	-	21	N.M.
Under/(Over) provision of tax in prior years	94	(338)	N.M.	94	(338)	N.M.

N.M. – not meaningful

Note
* Net foreign exchange loss/(gain) include realised foreign exchange loss/(gain), unrealised foreign exchange loss/(gain) and fair value loss/(gain) on financial derivative that are used mainly for hedging purposes.

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

	Group		Company	
	30-Jun-20 S$'000	30-Jun-19 S$'000	30-Jun-20 S$'000	30-Jun-19 S$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	32,621	32,621
Associates	4,932	4,597	-	-
Property, plant and equipment	31,516	32,043	-	-
Intangible assets	262	297	-	-
Deferred tax assets	318	402	-	-
Total non-current assets	37,028	37,339	32,621	32,621
Current assets				
Inventories	33,723	31,031	-	-
Amount due from subsidiaries	-	-	19,236	20,725
Trade and other receivables	32,858	24,052	34	19
Income tax assets	-	1,591	-	-
Derivative financial assets	114	205	-	-
Cash and bank balances	9,292	4,871	28	155
Total current assets	75,987	61,750	19,298	20,899
Total assets	113,015	99,089	51,919	53,520
EQUITY AND LIABILITIES				
Equity				
Share capital	37,870	37,473	37,870	37,473
Reserves	(40,792)	(37,387)	180	170
Retained earnings	55,143	42,242	12,039	12,747
Equity attributable to the owners of the Company	52,221	42,328	50,089	50,390
Non-controlling interests	2,051	1,036	-	-
Total equity	54,272	43,364	50,089	50,390
Non-current liabilities				
Deferred tax liabilities	3,142	3,201	-	-
Lease liabilities	191	-	-	-
Bank borrowings	4,595	6,100	-	-
Total non-current liabilities	7,928	9,301	-	-
Current liabilities				
Bank borrowings	30,520	32,239	-	-
Trade and other payables	18,469	14,184	120	148
Amount due to subsidiaries	-	-	1,710	2,982
Lease liabilities	345	-	-	-
Income tax liabilities	1,481	1	-	-
Total current liabilities	50,815	46,424	1,830	3,130
Total liabilities	58,743	55,725	1,830	3,130
Total equity and liabilities	113,015	99,089	51,919	53,520

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

	30-Jun-20		30-Jun-19	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	30,520	-	32,239	-
Amount repayable after one year	4,595	-	6,100	-
Total borrowings	35,115	-	38,339	-

Details of collaterals

As at 30 June 2020 and 30 June 2019, the Group's borrowings 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; and
(v) corporate guarantees

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended		Full year ended	
	30-June-20 2HFY2020 S$'000	30-June-19 2HFY2019 S$'000	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000
Operating activities				
Profit before income tax	17,211	1,255	18,057	2,763
Adjustments for:				
Amortisation of intangible assets	10	11	20	15
Property, plant and equipment written off	110	(137)	284	299
Loss on disposal of property, plant and equipment	5	9	-	21
Depreciation expense	1,435	857	2,443	1,608
Allowance for doubtful debts	582	-	588	-
Bad debts written off	-	20	-	21
Interest expense	977	848	1,985	1,618
Interest income	(66)	(62)	(156)	(83)
Share of profits from associates	(901)	(380)	(1,156)	(711)
Fair value loss/(gain) on financial derivatives	567	(354)	92	(739)
Unrealised exchange differences	(1,499)	(683)	(1,549)	(1,313)
Operating cash flows before movements in working capital	18,431	1,384	20,608	3,499
Movements in working capital				
Inventories	4,831	(2,831)	(2,692)	(9,297)
Trade and other receivables	(9,436)	1,316	(9,395)	1,066
Trade and other payables	581	(1,137)	4,305	579
Cash from/(used in) operations	14,407	(1,268)	12,826	(4,153)
Interest paid	(954)	(921)	(1,962)	(1,691)
Income taxes (paid)/refund	(734)	(332)	125	(523)
Net cash from/(used in) operating activities	12,719	(2,521)	10,989	(6,367)
Investing activities				
Acquisition of property, plant and equipment	(1,106)	(4,256)	(3,288)	(8,532)
Additional of intangible assets	-	-	-	(65)
Dividend received	302	1,293	302	1,625
Increase in of fixed deposits pledged to bank	(1)	(2)	(17)	-
Interest received	66	62	156	83
Net cash used in investing activities	(739)	(2,903)	(2,847)	(6,889)
Financing activities				
Drawdown of borrowings	35,090	41,597	79,142	81,199
Repayment of borrowings	(41,277)	(36,874)	(82,366)	(69,700)
Repayment of lease liabilities	(410)	-	(410)	-
Dividend paid	-	-	(104)	(103)
Net cash (used in)/from financing activities	(6,597)	4,723	(3,738)	11,396
Net increase/(decrease) in cash and cash equivalents	5,383	(701)	4,404	(1,860)
Cash and cash equivalents at beginning of financial period	3,277	4,957	4,256	6,116
Cash and cash equivalents at end of financial period	8,660	4,256	8,660	4,256
Cash and cash equivalents comprised the following:				
Cash and bank balances	9,292	4,871	9,292	4,871
Less: Fixed deposits pledged to bank	(632)	(615)	(632)	(615)
	8,660	4,256	8,660	4,256

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 2019	37,473	(11,617)	(25,940)	170	42,242	42,328	1,036	43,364
Profit for the year	-	-	-	-	13,402	13,402	1,684	15,086
Other comprehensive (loss)/income								
Exchange differences on translating foreign operations	-	(3,415)	-	-	-	(3,415)	(669)	(4,084)
Total comprehensive (loss)/income for the year	-	(3,415)	-	-	13,402	9,987	1,015	11,002
Share option	-	-	-	10	-	10	-	10
Issuance of shares, pursuant to scrip dividend	397	-	-	-	-	397	-	397
Dividend	-	-	-	-	(501)	(501)	-	(501)
Balance as at 30 June 2020	37,870	(15,032)	(25,940)	180	55,143	52,221	2,051	54,272
Balance as at 1 July 2018	37,126	(9,524)	(25,940)	110	40,185	41,957	(83)	41,874
Profit for the year	-	-	-	-	2,507	2,507	(290)	2,217
Other comprehensive loss								
Exchange differences on translating foreign operations	-	(2,093)	-	-	-	(2,093)	(134)	(2,227)
Total comprehensive (loss)/income for the year	-	(2,093)	-	-	2,507	414	(424)	(10)
Share option	-	-	-	60	-	60	-	60
Issuance of shares, pursuant to scrip dividend	347	-	-	-	-	347	-	347
Increase in capital contribution	-	-	-	-	-	-	1,543	1,543
Dividend	-	-	-	-	(450)	(450)	-	(450)
Balance as at 30 June 2019	37,473	(11,617)	(25,940)	170	42,242	42,328	1,036	43,364

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 2019	37,473	170	12,747	50,390
Loss for the year, representing total comprehensive loss for the year	-	-	(207)	(207)
Share option	-	10	-	10
Issuance of shares, pursuant to scrip dividend	397	-	-	397
Dividend	-	-	(501)	(501)
Balance as at 30 June 2020	37,870	180	12,039	50,089
Balance as at 1 July 2018	37,126	110	13,859	51,095
Loss for the year, representing total comprehensive loss for the year	-	-	(662)	(662)
Share option	-	60	-	60
Issuance of shares, pursuant to scrip dividend	347	-	-	347
Dividend	-	-	(450)	(450)
Balance as at 30 June 2019	37,473	170	12,747	50,390

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 2019	193,297,531	37,472,852
Issuance of shares pursuant to the UG Healthcare Scrip Dividend Scheme on 13 December 2019	2,795,325	396,937
Issued and paid up share capital as at 30 June 2020	196,092,856	37,869,789

There were no changes in the Company's issued and paid up capital from 1 January 2020 to 30 June 2020.

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 June 2020 and 30 June 2019 respectively.

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

	Company	
	30-June-20	30-June-19
Total number of issued shares excluding treasury shares	196,092,856	193,297,531

As at 30 June 2020 and 30 June 2019, 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 June 2020, 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 June 2020, 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. AUDITOR'S REPORT

Not applicable.

3A. LATEST FINANCIAL STATEMENTS SUBJECT TO AN ADVERSE OPINION, QUALIFIED OPINION OR DISCLAIMER OF OPINION

Not applicable as the Group's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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 2019.

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 statement for the current financial year as compared to the audited financial statement as at 30 June 2019, except for the adoption of the Singapore Financial Reporting Standards International, SFRS(I) 16 *Leases* which become effective for the financial year beginning on or after 1 January 2019. The effects of adoption SFRS (I) 16 has been reflected in the financial statements.

6. EARNINGS PER SHARE

	Six months ended		Full year ended	
	30-June-20 2HFY2020	30-June-19 2HFY2019	30-June-20 FY2020	30-June-19 FY2019
Profit attributable to owners of the Company (S$'000)	12,556	1,188	13,402	2,507
Number of shares				
Weighted average number of ordinary shares for the purpose of				
Basic share	196,092,856	193,297,531	196,092,856	193,297,531
Effect of dilution from share options	1,328,380	53,447	1,328,380	53,447
Diluted share	197,421,236	193,350,978	197,421,236	193,350,978
Earnings per share (cents)				
Basic	6.40	0.61	6.83	1.30
Diluted	6.36	0.61	6.79	1.30

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

	Group		Company	
	30-June-20	30-June-19	30-June-20	30-June-19
NAV per share (cents)	27.68	22.43	25.54	26.07
Total NAV (including non-controlling interests) (S$'000)	54,272	43,364	50,089	50,390
Number of ordinary shares used in computation of NAV per share	196,092,856	193,297,531	196,092,856	193,297,531

8. REVIEW OF GROUP PERFORMANCE

(A) REVIEW OF GROUP RESULTS

Revenue
Revenue increased by approximately S$52.5 million or 57.2% from S$91.7 million in the financial year ended 30 June 2019 ("**FY2019**") to S$144.2 million in the financial year ended 30 June 2020 ("**FY2020").** This was mainly due to the increase in the volume of gloves produced and sold, as well as the increase in gloves selling prices resulting from the significant increase in demand of gloves due to the outbreak of COVID-19, in particular, in the fourth quarter of financial year.

For the second half ended 30 June 2020 ("**2HFY2020")**, revenue increased to S$91.0 million as compared to S$50.3 million for the second half ended 30 June 2019 ("**2HFY2019**"). The increase in revenue of approximately S$40.7 million or 80.9% was mainly due to the same reasons described above.

Cost of Sales
Cost of sales increased by approximately S$28.7 million or 39.3% from S$73.0 million in FY2019 to S$101.7 million in FY2020, in tandem with the increase in revenue.

In 2HFY2020, cost of sales increased to S$58.3 million as compared to S$40.3 million in 2HFY2019, representing a 44.7% increase, in tandem with the increase in revenue.

Gross Profit and Gross Profit Margin
Gross profit increased by approximately S$23.8 million from S$18.7 million in FY2019 to S$42.5 million in FY2020. The Group's gross profit margin increased from 20.4% in FY2019 to 29.5% in FY2020. The increase was mainly due to increase in production efficiency, as well as increase in gloves selling price from the significant increase in demand due to COVID-19 outbreak.

Gross profit increased by approximately S$22.7 million from S$10.1 million in 2HFY2019 to S$32.8 million in 2HFY2020. The Group's gross profit margin increased from 20.0% in 2HFY2019 to 36.0% in 2HFY2020 due to the same reason described above.

Other income
Other income increased by approximately S$169 thousand or 89.4% from S$189 thousand in FY2019 to S$358 thousand in FY2020 mainly due to increase in interest income.

In 2HFY2020, other income increased to S$226 thousand from S$109 thousand due to the same reason described above.

Marketing and Distribution Expenses
Marketing and distribution expenses increased by S$1.2 million or 42.2% from S$2.8 million in FY2019 to S$4.0 million in FY2020 as the Group continued to expand its distribution network and increased its marketing campaigns in anticipation of achieving optimal utilisation with its new production capacity that is expected to come on stream in the financial year ended 30 June 2021.

Accordingly, marketing and distribution expenses increased by approximately S$0.7 million or 43.7% from S$1.7 million in 2HFY2019 to S$2.4 million in 2HFY2020.

Administrative Expenses
Administrative expenses increased by approximately S$1.4 million or 11.8% from S$12.3 million in FY2019 to S$13.7 million in FY2020 mainly due to administrative expenses incurred for the expansion of distribution networks in Brazil, UK, China and Nigeria, as well as increase in personnel costs in its manufacturing operations in Malaysia.

Depreciation expenses increased by approximately S$0.8 million or 51.9% from S$1.6 mil in FY2019 to S$2.4 mil in FY2020 mainly due to acquisition of property, plant and equipment for the Group's operations during the financial period.

As aforementioned, administrative expenses increased by approximately S$0.4 million or 5.4% from S$7.0 million in 2HFY2019 to S$7.4 million in 2HFY2020 due to the reason as set out above.

Other Expenses
Other expenses increased by approximately S$6.1 million from S$0.2 million in FY2019 to S$6.3 million in FY2020, mainly due to the loss from foreign exchange amounting to S$5.4 million. 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 Great Britain Pound against US dollar, where the Renminbi and Great Britain Pound being the functional currency of subsidiaries in China and UK. There was an increase of S$567 thousand on allowance for doubtful debt from S$21 thousand in FY2019 to S$588 thousand in FY2020.

Other expenses increased from -S$0.2 million in 2HFY2019 to S$5.9 million in 2HFY2020 due to the reason as set out above.

Finance Costs
Finance costs increased by approximately S$0.4 million from S$1.6 million in FY2019 to S$2.0 million in FY2020, due to the increase in interest arising from utilisation of trade facilities as Group's sales increased.

In 2HFY2020, finance cost increased to S$1.0 million as compared to S$0.8 million in 2HFY2019 due to reasons set out above.

Share of Profits from Associates
The Group's share of profits from associates amounted to S$1.2 million in FY2020, an increase of S$0.5 million from S$0.7 million in FY2019, due to higher profits reported by the German and US associates.

Similarly, share of profits from associates recorded increased by approximately S$0.5 million from S$0.4 million in 2HFY2019 to S$0.9 million in 2HFY2020.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 30 June 2020

Non-current Assets
Non-current assets decreased by approximately S$0.3 million from S$37.3 million as at 30 June 2019 to S$37.0 million as at 30 June 2020, mainly due to a decrease in property, plant and equipment due to depreciation expenses of S$2.4 million which is partially offset by acquisition of property, plant and equipment for the Group's operations. The decrease in property, plant and equipment is partially offset by an increase in associates as a result of profit recorded by the German and US associates.

Current Assets
Current assets increased by approximately S$14.2 million from S$61.8 million as at 30 June 2019 to S$76.0 million as at 30 June 2020, mainly due to:

(a) Increase in trade and other receivables by S$8.8 million or 36.6% from S$24.1 million as at 30 June 2019 to S$32.9 million as at 30 June 2020 resulting from higher sales to customers;

(b) Increase in cash and bank balances of S$4.4 million or 90.8% from S$4.9 million as at 30 June 2019 to S$9.3 million as at 30 June 2020; and

(c) Increase in inventories of S$2.7 million or 8.7% from S$31.0 million as at 30 June 2019 to S$33.7 million as at 30 June 2020; partially offset by

(d) An absence of income tax asset amounting to S$1.6 million.

Equity
Equity comprises share capital, merger reserve, capital contribution reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The total equity of the Group increased by approximately S$10.9 million or 25.2% from S$43.4 million as at 30 June 2019 to S$54.3 million as at 30 June 2020.

Non-current Liabilities
Non-current liabilities decreased by approximately S$1.4 million from S$9.3 million as at 30 June 2019 to S$7.9 million as at 30 June 2020 due to the repayment of a term loan that was mainly for the construction of the new production lines in Malaysia. Lease liabilities recorded amounting to S$0.2 million is in relation to the adoption of SFRS(I) 16 leases.

Current Liabilities
Current liabilities increased by S$4.4 million from S$46.4 million as at 30 June 2019 to S$50.8 million as at 30 June 2020, mainly due to:

(a) Increase in trade and other payables by S$4.3 million or 30.2% from S$14.2 million as at 30 June 2019 to S$18.5 million as at 30 June 2020 due to the purchase of raw materials for the increase in volume of gloves sold; and

(b) Increase in income tax liabilities of S$1.5 million; partially offset by

(c) Decrease of S$1.7 million or 5.3% in bank borrowings from S$32.2 million as at 30 June 2019 to S$30.5 million as at 30 June 2020 as the Group repays trade loan and term loan that was mainly for the construction of the new production lines in Malaysia

(C) REVIEW OF GROUP'S CASH FLOWS

In FY2020, the net cash from operations amounted to S$11.0 million taking into account the profit before tax of S$18.1 million, adjusted for working capital inflows of S$7.8 million. The net working capital inflows was mainly due to increase in trade and other receivables and inventories of around S$9.4 million and S$2.7 million respectively, which was partially offset by an increase in trade and other payables of S$4.3 million. The Group paid interest of S$2.0 million.

Net cash used in investing activities amounted to S$2.8 million in FY2020. This was due mainly to the purchases of property, plant and equipment for the Group operations.

Net cash used in financing activities amounted to S$3.7 million in FY2020. This was due to repayment of trade financing of S$82.4 million and partially offset by a drawdown of borrowings from trade facilities amounting to S$79.1 million.

9. ACTUAL RESULTS VS PROFIT FORECAST

The Group refers to its business update announcement made on 19 May 2020. The FY2020 and 2HFY2020 financial results are in line with the business update.

10. COMMENTARY OF THE INDUSTRY TREND AND GROUP'S PROSPECT

Since the COVID-19 outbreak at end of January this year, the demand for disposable healthcare/medical gloves around the world has increased exponentially. This has caused average selling prices of gloves to increase significantly from April 2020 when the epidemic escalated to a global pandemic.

The Group's business model of running an integrated supply chain from upstream manufacturing to downstream distribution, through its proprietary branded products, has positioned the Group well to capture this increase in demand, as it is at the forefront of the market with direct access to end customers.

The Group continues to focus on strengthening its relationship with its long term customers during this pandemic and will prioritise its capacity to ensure these customers have the required inventory to meet their needs.

Due to the increase in demand, the Group's manufacturing facilities have been running at almost full utilisation and optimum efficiency of 2.9 billion pieces of gloves per annum. At the same time, on the distribution front, the high demand has resulted in significant increase in selling prices.

Expansion plans going forward

The Group's capacity expansion plans are on track. By March 2021, an additional capacity of 500 million pieces per annum (previously announced 300 million pieces) will come onstream bringing the Group's total capacity from 2.9 billion pieces of gloves to 3.4 billion pieces of gloves per annum. The increase in the additional capacity by 200 million pieces is due to the advancement of design and technology for the new production lines.

The Group is also looking to expedite its plans to increase an additional capacity of 1.2 billion pieces of gloves per annum from June/July 2021. The above will bring the Group's total installed capacity to 4.6 billion pieces of gloves per annum.

On the distribution front, the Group has continued to enhance and strengthen its distribution network, cementing its relationship with long term customers, as well as acquiring new customers during this COVID-19 outbreak. The Group is confident that with its integrated supply chain cum own-brand business model, it is able to absorb the increase in production capacity in the coming years through its own distribution platforms.

11. DETAILS OF DIVIDEND DECLARED OR RECOMMENDED

Proposed dividend

	30-June-20	**30-June-19**
Name of dividend	Final dividend	Final dividend
Type of dividend	Cash and/or scrip	Cash and/or scrip
Dividend rate	S$0.00714 per ordinary share	S$0.00259 per ordinary share
Tax rate	Tax exempted	Tax exempted
Book closure date	To be announced later	31 October 2019
Payment date	To be announced later	17 December 2019

N.A. – not applicable

12. IF NO DIVIDEND HAS BEEN DECLARED (RECOMMENDED), A STATEMENT TO THAT EFFECT AND THE REASON(S) FOR THE DECISION

The Board has declared a final tax exempt dividend of 0.714 Singapore cents per share for FY2020 compared to a final tax exempt dividend of 0.259 Singapore cents per share declared in FY2019 reflecting the improved performance of the Group during this financial period.

13. GENERAL MANDATE FOR INTERESTED PERSON TRANSACTION ("IPT")

The Company has not obtained any IPT mandate from the shareholders. There is no IPT entered into during FY2020.

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. SEGMENT INFORMATION AND ANALYSIS OF GROUP REVENUE AND RESULTS

	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
Revenue			
Total revenue for reportable segments	289,352	203,151	42.4
Elimination of inter-segment revenue	(145,143)	(111,439)	30.2
	144,209	91,712	57.2
Profit or Loss			
Total profit for reportable segments	16,901	2,052	>100.0
Share of profit of associate	1,156	711	62.6
Profit before income tax	18,057	2,763	>100.0
Assets			
Total assets for reportable segments	108,083	94,492	14.4
Investments in associate	4,932	4,597	7.3
Total assets	113,015	99,089	14.1
Liabilities			
Total liabilities for reportable segments	58,743	55,725	5.4
Total liabilities	58,743	55,725	5.4

15. SEGMENT INFORMATION AND ANALYSIS OF GROUP REVENUE AND RESULTS (continued)

By Product Segments

	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
Revenue			
Latex examination gloves	74,697	47,272	58.0
Nitrile examination gloves	60,168	38,624	55.8
Other ancillary products	9,344	5,816	60.7
Total	144,209	91,712	57.2
Gross profit			
Latex examination gloves	22,861	9,667	>100.0
Nitrile examination gloves	17,503	8,277	>100.0
Other ancillary products	2,155	772	>100.0
Total	42,519	18,716	>100.0
Gross profit margin	%	%	
Latex examination gloves	30.6	20.4	
Nitrile examination gloves	29.1	21.4	
Other ancillary products	23.1	13.3	
Overall	29.5	20.4	

By Geographical Locations

	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
Europe	51,798	42,607	21.6
North America	19,706	15,678	25.7
South America	47,489	16,301	>100.0
Africa	7,022	3,835	83.1
Asia	13,019	8,558	52.1
Others	5,175	4,733	9.3
Total	**144,209**	**91,712**	**57.2**

15. SEGMENT INFORMATION AND ANALYSIS OF GROUP REVENUE AND RESULTS (continued)

	30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
Location of non-current assets			
Europe	4,747	4,476	6.1
North America	648	568	14.1
South America	4,557	6,360	(28.3)
Africa	706	724	(2.5)
Asia	210	114	84.2
Malaysia	26,160	25,097	4.2
Total	**37,028**	**37,339**	**(0.8)**

16. REVIEW OF PERFORMANCE BY OPERATING SEGMENTS

Revenue for all business segments have increased in FY2020 as compared to FY2019 due to the increase in the volume of products produced and sold following the commencement of new production lines, as well as increase in glove selling prices resulting from outbreak of COVID-19. Revenue for latex examination gloves, nitrile gloves and other ancillary products have increased by 58.0%, 55.8% and 60.7% respectively in FY2020 as compared to FY2019 mainly due to the reason described above.

Overall, the gross profit margin of the Group has increased from 20.4% in FY2019 to 29.5% in FY2020 due to an increase in gross profit margins for all the Group's products as well as those ancillary products, which were sold together with the Group's latex and nitrile products.

With the continued expansion of its downstream distribution network, sales in key regions have increased significantly including South America, Europe, Africa and China, as it continues to sell and develop its own brand in these key regions. The Group established its own distribution company in Brazil in October 2019 and the Group has been experiencing a rapid growth rate in South America since.

17. BREAKDOWN OF GROUP REVENUE AND RESULTS

		30-June-20 FY2020 S$'000	30-June-19 FY2019 S$'000	Increase/ (Decrease) %
(a)	Sales reported for first half year	53,178	41,395	28.5
(b)	Operating profit after tax before deducting minority interests reported for first half year	306	1,069	(71.4)
(c)	Sales reported for second half year	91,031	50,317	80.9
(d)	Operating profit after tax before deducting minority interests reported for second half year	14,780	1,148	>100.0

18. BREAKDOWN OF ANNUAL DIVIDEND

Annual dividend

	30-June-20 S$	30-June-19 S$
Ordinary dividend	1,400,000	500,000

19. DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION IN THE ISSUER OR ANY OF ITS PRINCIPAL SUBSIDIARIES WHO IS A RELATIVE OF A DIRECTOR OR CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER OF THE ISSUER PURSUANT TO RULE 704(10) IN THE FORMAT BELOW. IF THERE ARE NO SUCH PERSONS, THE ISSUER MUST MAKE AN APPROPRIATE NEGATIVE STATEMENT.

The Company confirms that, to the best of its knowledge as of the date hereof, none of the person occupying a managerial position in the Company or any of its principal subsidiaries is a relative of a director, chief executive officer or substantial shareholder of the Company.

By order of the Board
UG Healthcare Corporation Limited

LEE KECK KEONG
Executive Director and CEO

11 August 2020