UG HEALTHCARE CORPORATION LIMITED
(Incorporated in Singapore with Unique Entity No.: 201424579Z)
SGX Stock Code: 41A
website: www.ughealthcarecorporation.com

UG Healthcare maintains momentum in revenue and gross margin in Q2 FY19 despite delay in the commercialisation of new production lines

- **scheduled major maintenance of some existing production lines, and finetuning of new production lines lower overall utilisation rate in Q2 FY19**
- **marketing and administrative costs increased as Group continues to focus on brand building and its distribution network expansion**
- **Group expects overall utilisation rate of production capacity to normalise as the new production lines stabilise over the next few quarters**

Key Financial Highlights:

FYE 30 Jun (S$'000)	Q2 FY19	Q2 FY18	YoY Change	HY19	HY18	YoY Change
Revenue	21,051	18,283	+ 15.1%	41,395	36,548	+ 13.3%
Gross profit	4,233	3,256	+ 30.0%	8,665	6,224	+ 39.2%
Gross profit margin	*20.1%*	*17.8%*	+ 2.3 ppt	*20.9%*	*17.0%*	+ 3.9 ppt
Profit before tax	353	1,181	- 70.1%	1,508	2,274	- 33.7%
Net profit (1)	281	1,044	- 73.1%	1,319	1,903	- 30.7%
EPS (2) (cents)	0.15	0.54	- 72.2%	0.68	0.99	- 31.3%

** Q2 denotes three months ended 31 December and HY denotes six months ended 31 December*

(1) Net profit attributable to owners of the Company

(2) Earnings per share is based on average weighted number of shares of 193.3 million for Q2FY19 and HY19, and 191.5 million for Q2FY18 and HY18.

Singapore, 13 February 2019 – UG Healthcare Corporation Limited ("**UG Healthcare**" and together with its subsidiaries, the "**Group**"), a disposable gloves manufacturer with its own established global downstream distribution business that markets and sells disposable glove products under its proprietary "***Unigloves***" brand, announced that the Group recorded a 15.1% year-on-year increase in revenue to S$21.1 million for the three months ended 31 December 2018 ("**Q2 FY19**"). However, the net profit declined 73.1% to S$0.3 million in Q2 FY19 as a result of higher marketing and administrative expenses as the Group continues to focus on building its proprietary brand and expanding its distribution network, and higher expenses due to an increase in production lines, **which have yet to achieve optimisation level in Q2 FY19**.

During the quarter under review, the Group experienced a delay in the commercialisation of its new production lines with an additional annual capacity of 500 million pieces of gloves ("**Phase 1**"). This delay was due to the finetuning of the new production lines. In this quarter, the Group also scheduled major maintenance for two of its existing production lines which lowered overall utilisation in Q2 FY19.

Commenting on the financial performance, Mr. Lee Jun Yih, Executive Director of UG Healthcare said, "**Phase 1 of the production capacity expansion has gone into full commercialisation after we commercialised the remaining new capacity in January 2019. This was attained after a period of finetuning with the initial production line that was started in October 2018. We believe that the overall utilisation rate of our production capacity will normalise over next few quarters as the new production lines stabilise and complement the production schedules of the existing lines.**

We believe with our integrated supply chain business model, the Group is in a better position in the long run. The Group's expansion also involves strengthening our human capacity, particularly in our distribution companies. This expansion allows the additional gloves produced at our upstream manufacturing division to be marketed and sold through our distribution companies and network in our proprietary "Unigloves" brand to the direct end-users of the gloves who are our customers."

Gross profit increased 30.0% from S$3.3 million in Q2 FY18 to S$4.2 million in Q2 FY19 as a result of higher production efficiency resulting from increase in manufacturing capacity, raising overall gross profit margin from 17.8% in Q2 FY18 to 20.1% in Q2 FY19.

The increase in realised foreign exchange gain resulted in a significant increase in other income from S$0.5 million in Q2 FY18 to S$0.9 million in Q2 FY19.

Total operating expenses increased 29.5% from S$2.6 million in Q2 FY18 to S$3.4 million in Q2 FY19. The increase was mainly due to higher marketing and distribution expenses in anticipation of full commercialisation of its new production capacity as well as higher administrative expenses with the increase in personnel across all departments to accommodate the expansion in both manufacturing and distribution network in Brazil, the United Kingdom, China, and Nigeria.

Other expenses increased significantly from S$27,000 in Q2 FY18 to S$1.2 million in Q2 FY19, mainly due to an increase in unrealised foreign exchange losses. In particular, the Ringgit, in which the Group's trade payables are denominated appreciated, as well as the British Pound and Renminbi, which are the functional currencies of some of its subsidiaries depreciated against the US dollar. The increased utilisation of trade facilities and term loan to finance the construction of the new production facility, increased finance costs from S$0.1 million in Q2 FY18 to S$0.4 million in Q2 FY19.

Share of profits from associates declined 30.4% to S$96,000 in Q2 FY19, as compared with S$138,000 in Q2 FY19 due to losses incurred by the USA associated company. After taking into account the tax expenses and minority interests, the Group's net profit attributable to shareholders declined by 73.1% to S$0.3 million in Q2 FY19.

As at 31 December 2018, the Group's net asset value decreased marginally to S$41.4 million as compared with S$41.9 million as at 30 September 2018. Consequently, net asset value per share declined from 21.87 Singapore cents as at 30 September 2017 to 21.43 Singapore cents as at 31 September 2018.

Business Outlook

Amidst the background of decelerating global economic growth arising from the trade dispute between the US and China, geopolitical uncertainties, fluctuations in raw material prices and currencies, as well as inflationary costs, the Group remains committed to managing and using its best endeavours to overcome the challenges in its business environment.

Added Mr. Lee, "**We will rise up to the challenge and continue to calibrate our manufacturing and distribution businesses to improve the scalability of our integrated supply chain model.**"

Phase 1 of the new production facility with an additional 500 million pieces of gloves per annum is in full commercialisation. The mismatch on the increase in production capacity and revenue growth is expected to smooth out over the next few quarters as the increase in productivity normalises. The Group will update shareholders in due course if it decides to increase production capacity by another 300 million pieces of gloves per annum at the new production facility. This potential addition could bring the Group's total capacity to 3.2 billion pieces of gloves per annum.

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

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This press release is to be read in conjunction with the Company's results announcement posted on the SGX website on 13 February 2019.

About UG HEALTHCARE CORPORATION LIMITED 优格医疗有限公司

(Stock Codes – SGX: 41A | Bloomberg: UGHC SP | Reuters: UGHE.SI)

UG Healthcare Corporation Limited ("**UG Healthcare**" and together with its subsidiaries, the "**Group**"), is a disposable gloves manufacturer with its own established global downstream distribution that markets and sells disposable glove products under its proprietary "**Unigloves**" brand.

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

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

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

For more information, please visit the company's website at www.ughealthcarecorporation.com.

Issued for and on behalf of **UG HEALTHCARE CORPORATION LIMITED** by:

OCTAVE COMMUNICATIONS (S) PTE LTD
远璟资询（新加坡）私人有限公司

For more information, please contact:

Ms. Rosalina Soh 苏沛熙
Office : (65) 6260 4293
Mobile : (65) 9677 6683
Email : rosalina@octavecomms.com

*This press release has been prepared by UG Healthcare Corporation Limited (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 press release.*

This press release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made or reports contained in this press release.

The contact person for the Sponsor is Ms. Alicia Sun (Telephone: +65 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.