UG HEALTHCARE CORPORATION LIMITED
(Company Registration No.: 201424579Z)
Incorporated in the Republic of Singapore

NEWS RELEASE

UG HEALTHCARE POSTS S$1.4 MILLION NET PROFIT FOR HY17, ON TRACK WITH PLANNED EXPANSION

- **Group continues to focus on its core strategy of cultivating and marketing its own proprietary brand of products directly to its customers**
- **Group ploughs resources to build and lay out infrastructure and groundwork to expand its own distribution channels in markets where the Group has presence**
  - will focus on Emerging markets including China, Nigeria and Brazil, as well as core developed markets such as Europe
- **Expansion of production capacity to enhance productivity and efficiency to complement the Group's distribution strategy and platforms**
  - Group is on track to achieve production capacity of 2.4 billion gloves per annum as at end June 2017

FYE 30 Jun (S$'000)	HY17*	HY16*	YoY Change
Revenue	30,960	30,143	+ 2.7%
Gross profit	4,451	7,212	- 38.3%
Profit before tax	1,447	3,858	- 62.5%
Net profit attributable to owners of the Company	1,386	3,234	- 57.8%

** HY denotes six months ended 31 December.*

Singapore, 8 February 2017 – UG Healthcare Corporation Limited (优格医疗有限公司) (the "**Company**") together with its subsidiaries ("**UG Healthcare**" or the "**Group**"), an established natural latex and nitrile examination gloves manufacturer and distributor, today announced a net profit attributable to the owners of the Company of S$1.4 million on the back of a marginal increase in revenue of S$31.0 million for the six months ended 31 December 2016 ("**HY17**").

The Group's planned production capacity increase to 2.4 billion gloves per annum for the financial year ending 30 June 2017 ("**FY17**") is on track. The Group has taken the opportunity to improve the efficiency and productivity of some of the older production lines as the new production lines came on stream progressively in HY17. Hence, the increase in the volume of gloves produced and sold in

HY17 was partially mitigated by the temporary decrease of volume produced from the older production lines undergoing upgrading.

The increase of 2.7% in revenue from S$30.1 million in HY16 to S$31.0 million in HY17 was mainly due to the increase in the volume of gloves produced and sold, but was partially mitigated by the decreased in the average selling price of gloves.

During the six months under review, the cost of raw materials, in particular, the natural latex and nitrile prices had increased significantly. The significant increase in cost of raw materials driven by floods in Thailand and shortage in supply, coupled with the increase in gas tariff led to a 15.6% increase in cost of sales to S$26.5 million. This resulted in a 38.3% decrease in gross profit from S$7.2 million in HY16 to S$4.5 million in HY17, and consequently, gross margin reduced from 23.9% in HY16 to 14.3% in HY17.

In HY17, the weaker ringgit against US dollar and an increase in sundry income, which was partially offset by the decrease in unrealised foreign exchange gain, led to an increase of 4.1% in other income to S$1.0 million.

While the Group continues to expand its distribution network in the United Kingdom, China and Nigeria, it incurred higher marketing and distribution expenses by 26.2% to S$0.9 million in HY17. The increase was partially offset by the Group's continuous efforts to streamline its administrative expenses and reduce corporate expenses, despite an increase in depreciation charge as a result of the construction of new production lines. Total operating expenses that include marketing and distribution expenses and administrative expenses, decreased by 4.6% from S$4.1 million in HY16 to S$3.9 million in HY17.

Amid the unforeseen significant increase in raw materials costs and prudent expansion plans, the Group recorded a 57.8% decrease in net profit attributable to shareholders to S$1.4 million in HY17, from S$3.2 million a year ago.

Commenting on the results, Mr. Lee Jun Yih, Executive Director of the Company said, "Our core strategy is cultivating our own brand of gloves and marketing directly to our customers, through our own distribution companies globally. In UG Healthcare, we plan our production capacity to complement and meet the market demand for the large variety of gloves required by our diverse base of customers in different industries.

Although the surge in the key raw material costs (which has hit a four-year high) weighed down on our performance in HY17, we will gradually pass on some of these costs to our customers. We believe that our focus and effort in building and strengthening our own distribution channels and platforms will allow us to maintain our competitive edge in the gloves industry."

Business Prospects

The Group expects the business environment to remain challenging amid the volatility in the global macroeconomic environment, coupled with fluctuations in commodity prices and currencies.

Mr. Lee added, "We will continue to focus on ploughing in marketing resources to build our own infrastructure and distribution network as well as our own brand of products directly to our customers, particularly in developing countries such as China, Nigeria and Brazil, as well as in core developed markets such as Europe. Although these efforts will take time for volume to grow and mature, we believe this will build a solid and sustainable base of distribution channels and customer base for the Group in the long term.

Concurrent to our focus on marketing and distribution, we will also continue to increase our production capacity to complement our distribution strategy and platforms, and match with the increasing demand for our products. We target to increase an additional 400-500 million gloves per annum in FY18 with the construction of the new block on the vacant plot of land beside the existing production facility."

The Group's expansion plan is in good progress. It expects to increase its production capacity to cope with the expected increase in market demand for the Group's products and it is on track in achieving its target annual production capacity of 2.4 billion gloves by end of FY17.

~ End ~

This press release is to be read in conjunction with the Company's unaudited half-year results announcement posted on the SGX website on 8 February 2017.

*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 Mr. Ong Hwee Li (Telephone: +65 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

About UG HEALTHCARE CORPORATION LIMITED

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

UG Healthcare Corporation Limited (优格医疗有限公司) and together with its subsidiaries ("UG Healthcare" or the "Group"), is an established natural latex and nitrile examination gloves manufacturer and distributor. Currently, the Group has two manufacturing facilities located in Seremban, Malaysia. To complement this manufacturing platform, it has established an extensive distribution network globally through its own distribution companies based in the USA, UK, Germany, the PRC and Nigeria, as well as through third party distributors.

Started in 1989, the Group has built its reputation as a reliable manufacturer and distributor of natural latex and nitrile examination gloves under its own brand names including its "Unigloves" brand name as well as third party labels where it is engaged as original equipment manufacturer. UG Healthcare also distributes ancillary products such as surgical, vinyl and cleanroom gloves, face masks and other medical disposables.

The Group's competitive edge lies in its successful integration of its manufacturing and distribution businesses. The integrated platforms allow the Group to have full control over the entire supply chain, including (i) the production process, where it can carry out stringent quality control checks at every stage to ensure consistent product quality and compliance with various stringent international standards, as well as (ii) the distribution of its products to end-users and intermediaries. With its own facilities, the Group is also able to customise products to meet the evolving requirements of customers in a cost-effective manner.

Its products are sold to more than 50 countries including Germany, Nigeria, the PRC, USA, UK, France, Italy, Austria, Switzerland, the Netherlands, Japan, South Korea, Canada and Brazil.

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

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

EQUITIQUE COMMUNICATIONS
远璟财经通讯

For more information, please contact:
Ms. Rosalina Soh 苏沛熙
Office: (65) 6221 8308
Email: rosalina.soh@eqtq.com.sg