



UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

HALF YEARLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

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.

The contact person for the Sponsor is Ms Tay Sim Yee (Telephone no.: (65) 6232 3210) at 1, Robinson Road, #21-00 AIA Tower, Singapore 048542.

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

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME- FIRST HALF AND 6 MONTHS ENDED 31 DECEMBER 2019

	Group		
	31-Dec-19	31-Dec-18	Increase/ (Decrease) %
	S\$'000	S\$'000	
Revenue	53,178	41,395	28.5
Cost of sales	(43,415)	(32,730)	32.6
Gross profit	9,763	8,665	12.7
Other income	132	80	65.0
	9,895	8,745	13.2
Marketing and distribution expenses	(1,568)	(1,120)	40.0
Administrative expenses	(6,375)	(5,304)	20.2
Other expenses	(353)	(374)	(5.6)
Finance costs	(1,008)	(770)	30.9
Share of profits from associates	255	331	(23.0)
Profit before tax	846	1,508	(43.9)
Income tax expense	(540)	(439)	23.0
Profit for the period	306	1,069	(71.4)
Other comprehensive loss			
Exchange differences on translating foreign operations	(663)	(1,449)	(54.2)
Total comprehensive income/(loss) for the period	(357)	(380)	(6.1)
Profit/(loss) attributable to:			
Owners of the Company	846	1,319	(35.9)
Non-controlling interests	(540)	(250)	>100
	306	1,069	(71.4)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	236	15	>100
Non-controlling interests	(593)	(395)	50.1
	(357)	(380)	(6.1)
Earnings per share (cents)			
Basic	0.43	0.68	
Diluted	0.43	0.68	

N.M. – not meaningful

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

	Group Six months ended		Increase/ (Decrease) %
	31-Dec-19	31-Dec-18	
	S\$'000	S\$'000	
Interest income	(90)	(21)	>100
Net foreign exchange loss	209	296	(29.4)
Sundry income	(37)	(59)	(37.3)
Interest expense on borrowings	1,008	770	30.9
Depreciation	1,008	751	34.2
Property, plant and equipment written off	174	436	(60.1)
Amortisation of intangible assets	10	4	>100
Allowance for doubtful debts	6	1	>100
(Gain)/Loss on disposal of property, plant and equipment	(5)	12	N.M.

N.M. – not meaningful

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

	Group		Company	
	31-Dec-19 S\$'000	30-Jun-19 S\$'000	31-Dec-19 S\$'000	30-Jun-19 S\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	32,621	32,621
Associates	4,186	4,597	-	-
Property, plant and equipment	32,836	32,043	-	-
Intangible assets	285	297	-	-
Deferred tax assets	413	402	-	-
Total non-current assets	37,720	37,339	32,621	32,621
Current assets				
Inventories	38,554	31,031	-	-
Amount due from subsidiaries	-	-	20,905	20,725
Trade and other receivables	24,004	24,052	39	19
Income tax assets	190	1,591	-	-
Derivative financial assets	938	205	-	-
Cash and bank balances	3,909	4,871	49	155
Total current assets	67,595	61,750	20,993	20,899
Total assets	105,315	99,089	53,614	53,520
EQUITY AND LIABILITIES				
Equity				
Share capital	37,870	37,473	37,870	37,473
Reserve	(37,987)	(37,387)	180	170
Retained earnings	42,587	42,242	12,183	12,747
Equity attributable to the owners of the Company	42,470	42,328	50,233	50,390
Non-controlling interests	443	1,036	-	-
Total equity	42,913	43,364	50,233	50,390
Non-current liabilities				
Deferred tax liabilities	3,212	3,201	-	-
Bank borrowings	4,933	6,100	-	-
Total non-current liabilities	8,145	9,301	-	-
Current liabilities				
Bank borrowings	36,369	32,239	-	-
Trade and other payables	17,888	14,184	137	148
Amount due to subsidiaries	-	-	3,244	2,982
Income tax liabilities	-	1	-	-
Total current liabilities	54,257	46,424	3,381	3,130
Total liabilities	62,402	55,725	3,381	3,130
Total equity and liabilities	105,315	99,089	53,614	53,520

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

	31-Dec-19		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	36,369	-	32,239	-
Amount repayable after one year	4,933	-	6,100	-
Total borrowings	<u>41,302</u>	<u>-</u>	<u>38,339</u>	<u>-</u>

Details of collaterals

As at 31 December 2019 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

	Group	
	Six months ended	
	31-Dec-19	31-Dec-18
	S\$'000	S\$'000
Operating activities		
Profit before income tax	846	1,508
Adjustments for:		
Amortisation of intangible assets	10	4
Property, plant and equipment written off	174	436
(Gain)/Loss on disposal of property, plant and equipment	(5)	12
Depreciation expense	1,008	751
Allowance for doubtful debts	6	1
Interest expense	1,008	770
Interest income	(90)	(21)
Share of profits from associates	(255)	(331)
Fair value loss on financial derivatives	(475)	(385)
Unrealised exchange differences	(50)	(630)
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Operating cash flows before movements in working capital	2,177	2,115
<i>Movements in working capital</i>		
Inventories	(7,523)	(6,466)
Trade and other receivables	41	(250)
Trade and other payables	3,724	1,716
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Cash used in operations	(1,581)	(2,885)
Interest paid	(1,008)	(770)
Income taxes refund/(paid)	859	(191)
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Net cash used in operating activities	(1,730)	(3,846)
	<hr/>	<hr/>
Investing activities		
Acquisition of property, plant and equipment	(2,182)	(4,276)
Addition of intangible assets	-	(65)
Dividend received		332
(Increase)/Decrease in fixed deposits pledged to bank	(16)	2
Interest received	90	21
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Net cash used in investing activities	(2,108)	(3,986)
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Financing activities		
Drawdown of borrowings	44,052	39,602
Repayment of borrowings	(41,089)	(32,826)
Dividend paid	(104)	(103)
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Net cash from financing activities	2,859	6,673
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Net decrease in cash and cash equivalents	(979)	(1,159)
Cash and cash equivalents at beginning of financial period	4,256	6,116
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Cash and cash equivalents at end of financial period	3,277	4,957
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Cash and cash equivalents comprised the following:		
Cash and bank balances	3,909	5,570
Less: Fixed deposits pledged to bank	(632)	(613)
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	3,277	4,957
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1(d)(i) STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non-controlling interests S\$'000	Total equity S\$'000
	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		
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	-	-	-	-	846	846	(540)	306
<u>Other comprehensive (loss)/income</u>								
Exchange differences on translating foreign operations	-	(610)	-	-	-	(610)	(53)	(663)
Total comprehensive (loss)/income for the year	-	(610)	-	-	846	236	(593)	(357)
Share option	-	-	-	10	-	10	-	10
Issuance of shares, pursuant to scrip dividend	397	-	-	-	-	397	-	397
Dividend	-	-	-	-	(501)	(501)	-	(501)
Balance as at 31 December 2019	<u>37,870</u>	<u>(12,227)</u>	<u>(25,940)</u>	<u>180</u>	<u>42,587</u>	<u>42,470</u>	<u>443</u>	<u>42,913</u>
Balance as at 1 July 2018	37,126	(9,524)	(25,940)	110	40,193	41,965	(83)	41,882
Profit for the year	-	-	-	-	1,319	1,319	(250)	1,069
<u>Other comprehensive loss</u>								
Exchange differences on translating foreign operations	-	(1,304)	-	-	-	(1,304)	(145)	(1,449)
Total comprehensive (loss)/income for the year	-	(1,304)	-	-	1,319	15	(395)	(380)
Share option	-	-	-	30	-	30	-	30
Issuance of shares, pursuant to scrip dividend	347	-	-	-	-	347	-	347
Dividend	-	-	-	-	(450)	(450)	-	(450)
Balance as at 31 December 2018	<u>37,473</u>	<u>(10,828)</u>	<u>(25,940)</u>	<u>140</u>	<u>41,063</u>	<u>41,908</u>	<u>(478)</u>	<u>41,430</u>

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	-	-	(63)	(63)
Share option	-	10	-	10
Issuance of shares, pursuant to scrip dividend	397			397
Dividend	-		(501)	(501)
Balance as at 31 December 2019	37,870	180	12,183	50,233
Balance as at 1 July 2018	37,126	110	13,859	51,095
Loss for the year, representing total comprehensive loss for the year	-	-	(246)	(246)
Share option	-	30	-	30
Issuance of shares, pursuant to scrip dividend	347			347
Dividend	-		(450)	(450)
Balance as at 31 December 2018	37,473	140	13,163	50,776

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 31 December 2019	196,092,856	37,869,789

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 31 December 2019 and 31 December 2018 respectively.

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

	Company	
	31-Dec-19	30-Jun-19
Total number of issued shares excluding treasury shares	196,092,856	193,297,531

As at 31 December 2019 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 31 December 2019, 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 2019, 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.

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

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 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 statements for the current financial year as compared to the audited financial statements as at 30 June 2019, except for the adoption of the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and interpretation of SFRS(I) ("**INT SFRS(I)**"). The adoption of these SFRS(I) and INT SFRS(I) 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	
	Six months ended	
	31-Dec-19	31-Dec-18
Profit attributable to owners of the Company (S\$'000)	846	1,319
Number of shares		
Weighted average number of ordinary shares for the purpose of		
Basic share	196,092,856	193,297,531
Effect of dilution from share options	(466,514)	274,036
Diluted share	195,626,342	193,571,567
Earnings per share (cents)		
Basic	0.43	0.68
Diluted	0.43	0.68

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

	Group		Company	
	31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
NAV per share (cents)	21.88	22.43	25.62	26.07
Total NAV (including non-controlling interests) (S\$'000)	42,913	43,364	50,233	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\$11.8 million or 28.5%, from S\$41.4 million in the financial period ended 31 December 2018 (“1HFY2019”) to S\$53.2 million in the financial period ended 31 December 2019 (“1HFY2020”). This was mainly due to the increase in the volume of gloves produced and sold resulting from the increase in production efficiency and higher sales through expansion of our distribution networks.

	Group		
	31-Dec-19	31-Dec-18	Increase/ (decrease)
	S\$'000	S\$'000	%
Europe	20,714	20,140	2.9
North America	8,780	8,133	8.0
South America	14,220	4,718	>100
Africa	2,536	1,743	45.5
Asia	4,184	4,103	2.0
Others	2,744	2,558	7.3
Total	53,178	41,395	28.5

Cost of Sales

In tandem with the increase in revenue, cost of sales increased by S\$10.7 million or 32.6% from S\$32.7 million in 1HFY2019 to S\$43.4 million in 1HFY2020.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately S\$1.1 million from S\$8.7 million in 1HFY2019 to S\$9.8 million in 1HFY2020 mainly due to increase in production efficiency resulting from an increase in manufacturing capacity.

The Group's gross profit margin decreased from 20.9% in 1HFY2019 to 18.4% in 1HFY2020 mainly due to increase in maintenance costs from the modification of production lines to increase production efficiency for the next phase of expansion.

Other income

Other income remained fairly stable at approximately S\$0.1 million for both 1HFY2020 and 1HFY2019.

Marketing and Distribution Expenses

Marketing and distribution expenses increased by S\$0.5 million or 40.0% from S\$1.1 million in 1HFY2019 to S\$1.6 million in 1HFY2020 as the Group continued to expand its distribution network and increased its marketing campaigns in anticipation of achieving optimal utilisation with its production capacity.

Administrative Expenses

Administrative expenses increased by approximately S\$1.1 million or 20.2% from S\$5.3 million in 1HFY2019 to S\$6.4 million in 1HFY2020 mainly due to administrative expenses incurred for expansion of the distribution networks in Brazil, UK, China and Nigeria. The increase in staff costs due to hiring of key personnel across all departments had also resulted in an increase of administrative expenses.

Depreciation expenses increased by approximately S\$0.2 million or 34.2% from S\$0.8 million in 1HFY2019 to S\$1.0 million in 1HFY2020 mainly due to increase in production lines and new land and building being acquired.

Other Expenses

Other expenses remained fairly stable at approximately S\$0.4 million for both 1HFY2020 and 1HFY2019. Other expenses mainly arise from the unrealised loss from foreign exchange. Brazilian Real being the functional currency of subsidiary in Brazil has been very volatile against the US dollar, as well as the volatility of the Renminbi and Great Britain Pound against the US dollar, where the Renminbi and Great Britain Pound being the functional currency of subsidiaries in China and UK.

Finance Costs

Finance costs increased by S\$0.2 million or 30.9% from S\$0.8 million in 1HFY2019 to S\$1.0 million in 1HFY2020 due to the interest arising from increased utilisation of trade facilities as the Group's sales increased.

Share of Profits from Associates

Share of profits from its German and USA associates decreased by 23.0% to S\$0.26 million in 1HFY2020, as compared with S\$0.33 million in 1HFY2019.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 31 December 2019

Non-current Assets

Non-current assets increased by approximately S\$0.4 million from S\$37.3 million as at 30 June 2019 to S\$37.7 million as at 31 December 2019, mainly due to increase in acquisition of property, plant and equipment of S\$0.8 million partially offset by decrease in associates of approximately S\$0.4 million.

Current Assets

Current assets increased by approximately S\$5.8 million from S\$61.8 million as at 30 June 2019 to S\$67.6 million as at 31 December 2019, mainly due to:

- (a) Increase in inventories of S\$7.5 million or 24.2% from S\$31.0 million as at 30 June 2019 to S\$38.5 million as at 31 December 2019 as the Group stock up its products at its own overseas distribution companies; and
- (b) Increase in derivative financial assets of S\$0.7 million from S\$0.2 million as at 30 June 2019 to S\$0.9 million as at 31 December 2019; which was partially offset by
- (c) Decrease in income tax assets of S\$1.4 million or 88.1% from S\$1.6 million as at 30 June 2019 to S\$0.2 million as at 31 December 2019 as a result of tax refund from Inland Revenue Board; and
- (d) Decrease in cash and bank balances of S\$1.0 million or 19.7% from S\$4.9 million as at 30 June 2019 to S\$3.9 million as at 31 December 2019.

Equity

Equity comprises share capital, merger reserve, retained earnings, share-based payment reserve, foreign currency translation reserves and non-controlling interests. The total equity of the Group decreased by approximately S\$0.5 million or 1.0% from S\$43.4 million as at 30 June 2019 to S\$42.9 million as at 31 December 2019.

Non-current Liabilities

Non-current liabilities decreased by approximately S\$1.2 million or 12.4% from S\$9.3 million as at 30 June 2019 to S\$8.1 million as at 31 December 2019 due to the Group's repayment of term loan.

Current Liabilities

Current liabilities increased by S\$7.8 million or 16.9% from S\$46.4 million as at 30 June 2019 to S\$54.2 million as at 31 December 2019, mainly due to:

- (a) Increase of S\$4.1 million or 12.8% in bank borrowings from S\$32.2 million as at 30 June 2019 to S\$36.3 million as at 31 December 2019 mainly due to increase utilisation of trade facilities; and
- (b) Increase in trade and other payables by S\$3.7 million or 26.1% from S\$14.2 million as at 30 June 2019 to S\$17.9 million as at 31 December 2019 mainly due to increase in purchases of raw materials.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1HFY2020, the net cash used in operations amounted to S\$1.7 million taking into account the profit before tax of S\$0.8 million, adjusted for working capital outflows of S\$3.8 million. The net working capital outflows was mainly due to increase in inventories of S\$7.5 million, which was partially offset by decrease in trade and other receivables of S\$0.04 million and increase in trade and other payables of S\$3.7 million. The Group paid interest of S\$1.0 million and received income taxes refund of S\$0.9 million.

Net cash used in investing activities amounted to S\$2.1 million in 1HFY2020. This was due mainly due to the purchases of property, plant and equipment.

Net cash from financing activities amounted to S\$2.8 million in 1HFY2020. This was due to a drawdown of borrowings from trade facilities amounting to S\$44.0 million, reduced by the repayment of trade financing borrowings of S\$41.1 million and dividend paid of S\$0.1 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 had commenced its program on major modification and upgrading of its production lines since June 2019 in progressive stages which was scheduled to complete in June 2020. However, due to the recent outbreak of the 2019 novel coronavirus which saw a surge in demand for disposable latex and nitrile gloves, the Group has decided to delay its plan to modify certain production lines slightly to cater for this increase in demand.

The Group is also in the midst of planning to put in place additional production capacity ("**Phase 2**"), which would increase the total annual capacity by approximately 300 million pieces of gloves. The Group anticipates this new capacity to come on stream in the financial year ending 30 June 2021 ("**FY2021**").

Having adopted the prudent approach to upgrade its existing production lines, the Group expects sales and financial performance to continue to improve on the back of increasing production efficiency and output, resulting from the progressive completion of the ongoing major modifications of existing production lines that were started last year.

The Group continues to develop its key downstream markets of Europe, Brazil, China and Africa, where it continues to push its own "Unigloves" brand and strengthen its own marketing and distribution infrastructure.

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 because the Group wishes to conserve cash for expansion and growth.

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 half and six months financial period ended 31 December 2019 to be false or misleading in any material aspect.

**By order of the Board
UG Healthcare Corporation Limited**

**LEE KECK KEONG
Executive Director and CEO**

13 February 2020