



UG HEALTHCARE CORPORATION LIMITED

Company Registration No. 201424579Z

QUARTERLY ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

*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 2017

	Group Three months ended		
	30-September- 17 S\$'000	30-September- 16 S\$'000	Increase/ (Decrease) %
Revenue	18,265	15,656	16.7
Cost of sales	(15,296)	(13,433)	13.9
Gross profit	2,969	2,223	33.6
Other income	457	667	(31.5)
	3,426	2,890	18.5
Marketing and distribution expenses	(463)	(415)	11.6
Administrative expenses	(1,861)	(1,672)	11.3
Other expenses	(30)	(145)	(79.7)
Finance costs	(162)	(120)	34.9
Share of profits from associates	183	217	(15.8)
Profit before tax	1,093	755	44.7
Income tax expense	(189)	(108)	75.0
Profit for the period	904	647	39.7
Other comprehensive loss			
Exchange differences on translating foreign operations	(895)	(4,388)	(79.6)
Total comprehensive income/(loss) for the period	9	(3,741)	N.M.
Profit/(loss) attributable to:			
Owners of the Company	859	789	8.8
Non-controlling interests	45	(142)	N.M.
	904	647	39.7
Total comprehensive income/(loss) attributable to:			
Owners of the Company	(22)	(3,599)	(99.4)
Non-controlling interests	31	(142)	N.M.
	9	(3,741)	N.M.
Earnings per share (cents)			
Basic	0.45	0.42	
Diluted	0.45	0.42	

N.M. – not meaningful

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

	Group		Increase/ (Decrease) %
	30-September- 17 S\$'000	30-September- 16 S\$'000	
Interest income	(9)	(2)	N.M.
Foreign exchange gain – unrealised	(6)	(92)	(93.5)
Foreign exchange gain – realised	(412)	(530)	(22.2)
Sundry income	(31)	(44)	(29.6)
Interest expense on borrowings	162	120	34.9
Depreciation	345	258	33.7
Foreign exchange loss – realised	6	-	N.M.

N.M. – not meaningful

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

	Group		Company	
	30- September- 17 S\$'000	30- June- 17 S\$'000	30- September- 17 S\$'000	30- June- 17 S\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	33,091	33,091
Associates	5,756	5,578	-	-
Property, plant and equipment	19,728	19,164	-	-
Intangible assets	260	261	-	-
Deferred tax assets	435	396	-	-
Total non-current assets	26,179	25,399	33,091	33,091
Current assets				
Inventories	15,225	15,699	-	-
Amount due from subsidiaries	-	-	20,120	20,486
Trade and other receivables	20,364	21,289	51	2
Derivative financial assets	323	316	-	-
Cash and bank balances	6,781	3,538	534	537
Total current assets	42,693	40,842	20,705	21,025
Total assets	68,872	66,241	53,796	54,116
EQUITY AND LIABILITIES				
Equity				
Share capital	37,126	37,126	37,126	37,126
Reserve	(36,723)	(35,842)	-	-
Retained earnings	36,709	35,850	16,607	16,877
Equity attributable to the owners of the Company	37,112	37,134	53,733	54,003
Non-controlling interests	(44)	(75)	-	-
Total equity	37,068	37,059	53,733	54,003
Non-current liabilities				
Deferred tax liabilities	1,573	1,535	-	-
Bank borrowings	4,650	1,654	-	-
Total non-current liabilities	6,223	3,189	-	-
Current liabilities				
Trade and other payables	10,023	8,760	63	113
Derivative financial liabilities	-	-	-	-
Bank borrowings	15,558	17,233	-	-
Total current liabilities	25,581	25,993	63	113
Total liabilities	31,804	29,182	63	113
Total equity and liabilities	68,872	66,241	53,796	54,116

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

	30-September-17		30-June-17	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	15,558	-	17,233	-
Amount repayable after one year	4,650	-	1,654	-
Total borrowings	<u>20,208</u>	<u>-</u>	<u>18,887</u>	<u>-</u>

Details of collaterals

As at 30 September 2017 and 30 June 2017, 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-17	30-September-16
	S\$'000	S\$'000
Operating activities		
Profit before income tax	1,093	755
Adjustments for:		
Depreciation expense	345	258
Interest expense	162	120
Interest income	(9)	(2)
Share of profits from associates	(183)	(217)
Unrealised exchange differences	320	(4,264)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,728	(3,350)
<i>Movements in working capital</i>		
Inventories	473	1,113
Trade and other receivables	715	577
Trade and other payables	(38)	2,498
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Cash generated from/(used in) operations	2,878	838
Interest paid	(162)	(120)
Income taxes paid	(327)	(604)
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Net cash from operating activities	2,389	114
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Investing activities		
Acquisition of property, plant and equipment	(496)	(1,796)
Withdrawal/(Placement) of fixed deposits	169	558
Interest received	9	2
	<hr/>	<hr/>
Net cash used in investing activities	(318)	(1,236)
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Financing activities		
Drawdown of borrowings	12,529	9,331
Repayment of borrowings	(11,332)	(7,938)
	<hr/>	<hr/>
Net cash from financing activities	1,197	1,393
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	3,268	271
Cash and cash equivalents at beginning of financial period	2,157	5,406
Effects on currency translation on cash and cash equivalents	18	20
	<hr/>	<hr/>
Cash and cash equivalents at end of financial period	5,443	5,697
	<hr/>	<hr/>
Cash and cash equivalents comprised the following:		
Cash and bank balances	5,568	5,699
Less: Bank overdrafts	(125)	(2)
	<hr/>	<hr/>
	5,443	5,697
	<hr/>	<hr/>

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

	Group						
	Attributable to owners of the Company						
	Share capital S\$'000	Merger reserve S\$'000	Foreign currency translation reserves S\$'000	Retained earnings S\$'000	Total S\$'000	Non- controlling interests S\$'000	Total S\$'000
Balance as at 1 July 2017	37,126	(25,940)	(9,902)	35,850	37,134	(75)	37,059
Profit for the financial period	-	-	-	859	859	45	904
Other comprehensive loss							
Exchange differences on translating foreign operations	-	-	(881)	-	(881)	(14)	(895)
Balance as at 30 September 2017	37,126	(25,940)	(10,783)	36,709	37,112	(44)	37,068
Balance as at 1 July 2016	36,243	(25,940)	(6,667)	34,510	38,146	198	38,344
Profit for the financial period	-	-	-	789	789	(142)	647
Other comprehensive loss							
Exchange differences on translating foreign operations	-	-	(4,388)	-	(4,388)	3	(4,385)
Balance as at 30 September 2016	36,243	(25,940)	(11,055)	35,299	34,547	59	34,606

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

	Company		
	Share capital	(Accumulated losses)/Retained earnings	Total
	S\$'000	S\$'000	S\$'000
Balance as at 1 July 2017	37,126	16,877	54,003
Total comprehensive loss for the period	-	(270)	(270)
Balance as at 30 September 2017	37,126	16,607	53,733
Balance as at 1 July 2016	36,243	21,784	58,027
Total comprehensive income for the period	-	68	68
Balance as at 30 September 2016	36,243	21,852	58,095

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 2017	191,460,054	37,125,570
Issued and paid-up share capital as at 30 September 2017	191,460,054	37,125,570

There were no changes to the Company's issued and paid up share capital from 1 July 2017 to 30 September 2017. 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 2017 and 30 September 2016 respectively.

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

	Company	
	30-September-17	30-June-17
Total number of issued shares excluding treasury shares	191,460,054	188,023,530

As at 30 September 2017 and 30 June 2017, 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 2017, 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 2017, 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 2017.

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 2017, except for the adoption of the Financial Reporting Standard (FRS) which become effective for the financial year beginning on or after 1 January 2017. The adoption of these revised FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

6. EARNINGS PER SHARE

	Group	
	Three months ended	
	30-September-17	30-September-16
Profit attributable to owners of the Company (S\$'000)	859	789
Number of shares		
Weighted average number of ordinary shares for the purpose of		
Basic share	191,460,054	188,023,530
Effect of dilution from share options	356,757	619,627
Diluted share	191,816,811	188,643,157
Earnings per share (cents)		
Basic	0.45	0.42
Diluted	0.45	0.42

7. NET ASSETS VALUE (“NAV”) PER SHARE

	Group		Company	
	30- September- 17	30- June- 17	30- September- 17	30- June- 17
NAV per share (cents)	19.36	19.36	28.06	28.21
Total NAV (including non-controlling interests) (S\$'000)	37,068	37,059	53,733	54,003
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\$2.6 million or 16.7%, from S\$15.7 million in the financial period ended 30 September 2016 (“1QFY2017”) to S\$18.3 million in the financial period ended 30 September 2017 (“1QFY2018”), mainly due to an increase in the volume of gloves produced and sold resulting from full commercial production of the new production lines and higher sale through expansion of its distribution networks. This was further bolstered by higher average selling price of the Group’s products which have increased as compared to the average selling price in 1QFY2017.

Cost of Sales

Cost of sales increased by S\$1.9 million or 13.9% from S\$13.4 million in 1QFY2017 to S\$15.3 million in 1QFY2018. The increase was in tandem with the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit increased by S\$0.8 million from S\$2.2 million in 1QFY2017 to S\$3.0 million in 1QFY2018. The Group’s gross profit margin increased from 14.2% in 1QFY2017 to 16.3% in 1QFY2018 due to slightly lower raw material price and higher average selling price.

Other income

Other income reduced from S\$0.7 million in 1QFY2017 to S\$0.5 million in 1QFY2018, a decrease of S\$0.2 million or 31.5%. The decrease is mainly due to the lower net foreign exchange gain of S\$0.2 million.

Marketing and Distribution Expenses

Marketing and distribution expenses increase by S\$0.1 million or 11.6% from S\$0.4 million in 1QFY2017 to S\$0.5 million in 1QFY2018 as the Group continued to expand its distribution network.

Administrative Expenses

Administrative expenses increased by S\$0.2 million or 11.3% from S\$1.7 million in 1QFY2017 to S\$1.9 million in 1QFY2018 mainly due to increase in staff costs.

Other Expenses

Other expenses reduced by S\$0.12 million from S\$0.15 million in 1QFY2017 to S\$0.03 million in 1QFY2018 mainly due to lower bank charges and other miscellaneous expenses.

Finance Costs

Finance costs increased by S\$0.04 million from S\$0.12 million in 1QFY2017 to S\$0.16 million in 1QFY2018 due to interests arising from increased utilisation of trade facilities.

Share of Profits from Associates

The Group's share of profits from associates remained fairly stable for both 1QFY2018 and 1QFY2017 at S\$0.2 million.

(B) REVIEW OF GROUP'S FINANCIAL POSITION

As at 30 September 2017

Non-current Assets

Non-current assets increased by S\$0.8 million from S\$25.4 million as at 30 June 2017 to S\$26.2 million as at 30 September 2017, mainly due to acquisition of property, plant and equipment of S\$0.6 million and share of associates' profits of S\$0.2 million.

Current Assets

Current assets increased by S\$1.9 million from S\$40.8 million as at 30 June 2017 to S\$42.7 million as at 30 September 2017, mainly due to:

- (a) Increase in cash and bank balances by S\$3.3 million or 91.7% from S\$3.5 million as at 30 June 2017 to S\$6.8 million as at 30 September 2017; partially offset by
- (b) Decrease in inventories of S\$0.5 million or 3.1% from S\$15.7 million as at 30 June 2017 to S\$15.2 million as at 30 September 2017; and
- (c) Decrease in trade and other receivables by S\$0.9 million or 4.2% from S\$21.3 million as at 30 June 2017 to S\$20.4 million as at 30 September 2017. The decrease was due to increased utilisation of trade facilities via invoice financing to better manage the cash flows of the Group.

Equity

Equity comprises share capital, merger reserve, retained earnings, foreign currency translation reserves and non-controlling interests. The total equity of the Group remained fairly stable at S\$37.1 million as at 30 September 2017 and 30 June 2017 respectively.

Non-current Liabilities

Non-current liabilities increased by S\$3.0 million from S\$3.2 million as at 30 June 2017 to S\$6.2 million as at 30 September 2017, mainly due to drawdown of new loan facilities, which will be used for the Group's expansion plan for the manufacturing plants.

Current Liabilities

Current liabilities decreased by S\$0.4 million from S\$26.0 million as at 30 June 2017 to S\$25.6 million as at 30 September 2017, mainly due to:

- (a) Reduction of S\$1.7 million of bank borrowings due to repayment; and partially offset by
- (b) Increase of S\$1.3 million in trade and other payables mainly due to purchases of raw materials as at quarter end of 1QFY2018.

(C) REVIEW OF GROUP'S CASH FLOWS

In 1QFY2018, the net cash generated from operations amounted to S\$2.4 million. This comprises of positive operating cash flows before changes in working capital of approximately S\$1.7 million, net working capital inflow of S\$1.2 million, and partially offset by interest and taxes paid of S\$0.2 million and S\$0.3 million respectively. The net working capital inflow was mainly due to decrease in inventories and trade and other receivables of S\$0.5 million and S\$0.8 million respectively.

Net cash used in investing activities amounted to S\$0.3 million in 1QFY2018. This was due to the purchases of property, plant and equipment of S\$0.5 million, partially offset by withdrawal of fixed deposits of S\$0.2 million.

Net cash from financing activities amounted to S\$1.2 million in 1QFY2018. This was due to a drawdown of borrowings from trade and loan facilities, of S\$12.5 million, reduced by the repayment of trade financing borrowings of S\$11.3 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 has achieved its target production capacity of 2.4 billion gloves per annum at end of FY2017 to meet with the increase in market demand for the Group's products. The current expansion plan includes construction of a new production facility on an adjoining piece of land to its existing factory, with commercialization of the production lines expected by April 2018. This is expected to increase annual production capacity by another 500 million gloves per annum. The additional capacity will be progressively rolled out to achieve a total of 2.9 billion gloves in production capacity by end of FY2018.

While the macroeconomic factors including movements in commodity prices that affects the prices of raw materials and fluctuations in the US dollar and other currencies that the Group deals with, continue to be a challenge to the Group, it will continue to drive growth through its two business platforms – manufacturing and global distribution.

The Group will continue to increase its production capacity prudently, while it concurrently strengthens and builds its marketing and global distribution network infrastructure, and broaden its range of proprietary "Unigloves" brand of products.

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 2017 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

8 November 2017