

# BOLSTERING OUR POTENTIAL



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This Annual Report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").

This Annual Report 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 Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

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

UG HEALTHCARE'S "UNIGLOVES" BRAND OF DISPOSABLE GLOVES OFFERS AN EXTENSIVE PRODUCT RANGE THAT INCLUDES SPECIALISED PRODUCTS WITH A VARIETY OF COATINGS, SCENTS, COLOURS, THICKNESS, ANTI-MICROBIAL PROPERTIES FOR MORE SPECIALISED USERS, ACROSS A DIVERSE RANGE OF INDUSTRIES CATERING TO DIFFERENT APPLICATIONS AND PREFERENCES.

UG Healthcare Corporation Limited 优格医疗有限公司 ("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 and South America, 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.

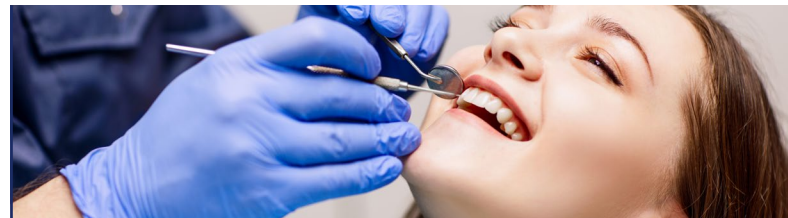
Its "Unigloves" brand of disposable gloves offers an extensive product range that includes both specialised products, with a variety of coatings, scents, colours, thickness, anti-microbial properties for more specialised users, as well as generic products. These products are used across a diverse range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

UG Healthcare is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 8 December 2014 under stock code 41A.

## INDUSTRY SOLUTIONS



**AUTOMOTIVE**



**DENTISTRY**



**FOOD AND BEVERAGE**



**HEALTHCARE**



**BEAUTY**



## BUSINESS SEGMENTS

UG Healthcare believes that providing quality products and services to satisfy the ever-changing requirements of customers, are of utmost importance. While we expand our production capacity progressively, we also broaden and deepen our market presence through our distribution companies and channels, and respond to the extensive range of requirements and demand from our end users in different markets.

We manufacture and distribute natural latex and nitrile examination gloves under several brands including our “Unigloves” brand name as well as third party labels where we are engaged as an original equipment manufacturer. Our extensive product range includes gloves of various colours and scents to appeal to different needs and preferences, and are used across a diverse range of industries. We also distribute ancillary products including surgical, vinyl and cleanroom gloves, face masks and other medical disposables.



WE WILL LOOK INTO CONSTRUCTING NEW PRODUCTION LINES TO INCREASE OUR PRODUCTION CAPACITY BY ANOTHER 300 MILLION GLOVES PER ANNUM AT THE NEW PRODUCTION FACILITY, WHICH COULD BRING THE GROUP'S TOTAL CAPACITY TO 3.2 BILLION GLOVES PER ANNUM.

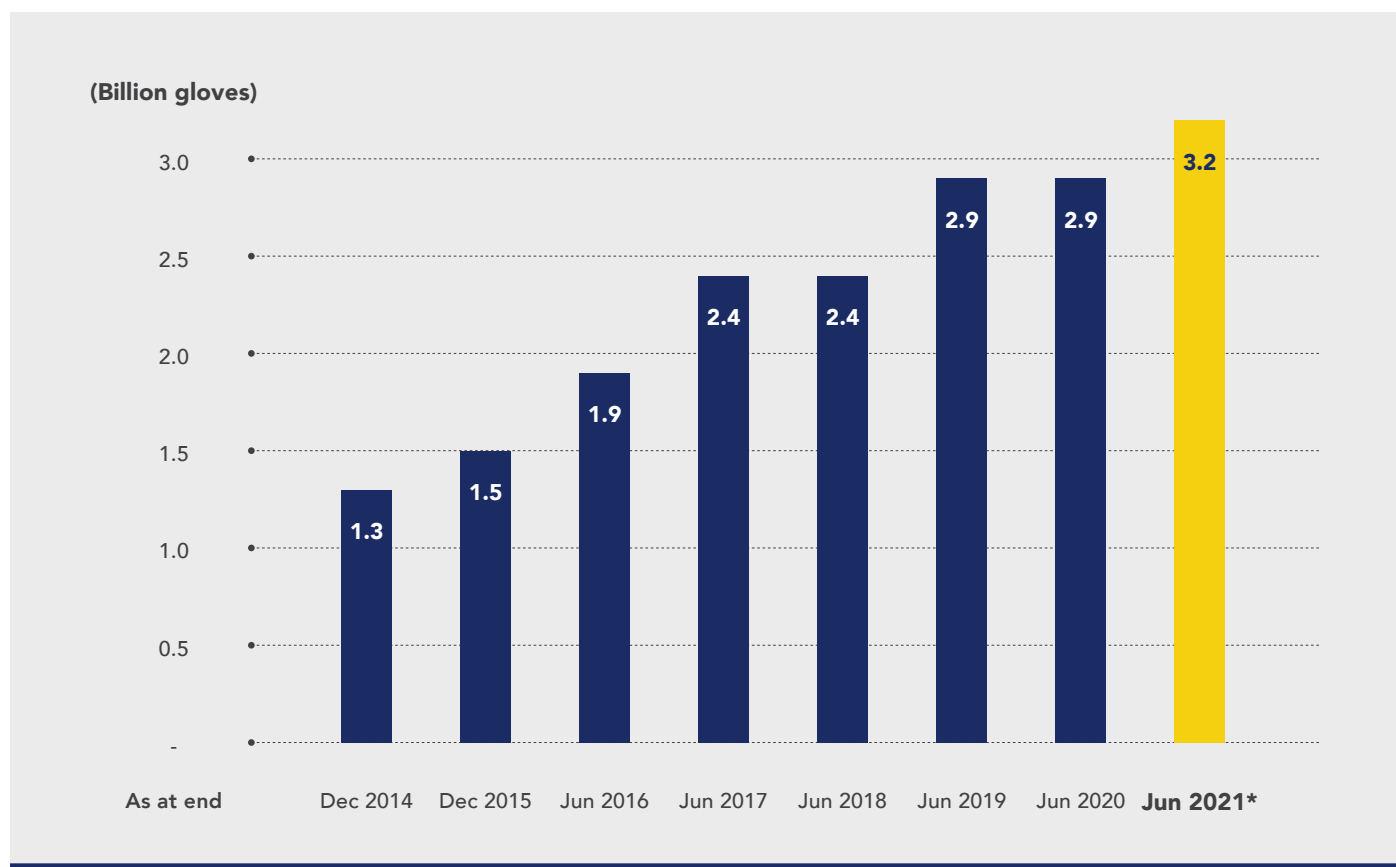
**WE EXPECT THIS CAPACITY TO COME ON STREAM BY THE FINANCIAL YEAR ENDING 30 JUNE 2021.**

### MANUFACTURING CAPABILITIES

UG Healthcare has two manufacturing facilities located in Seremban, Malaysia.

Phase 1 of the additional production capacity of 500 million gloves per annum has been in full commercialisation since January 2019, raising the Group's total capacity to 2.9 billion gloves per annum. This expansion also enables the Group to schedule major maintenance for some of our existing production lines.

We are delaying our plans slightly for the construction of new production lines to increase our production capacity by another 300 million gloves per annum ("**Phase 2**"), which could bring the Group's total capacity to 3.2 billion gloves per annum. We expect this capacity to come on stream by the financial year ending 30 June 2021 ("**FY2021**").



#### NOTES:

\* Additional 300 million gloves per annum of Phase 2 is expected to come on stream by FY2021.

## BUSINESS SEGMENTS

At UG Healthcare, we place significant emphasis on quality control and production standards during our production processes. Our manufacturing facilities are accredited for quality standards under the ISO 9001:2000, ISO 13485:2003 and ISO 9001:2008 certifications. We have also been certified by Malaysian Rubber Board ("MRB") to produce Standard Malaysian Glove for export.

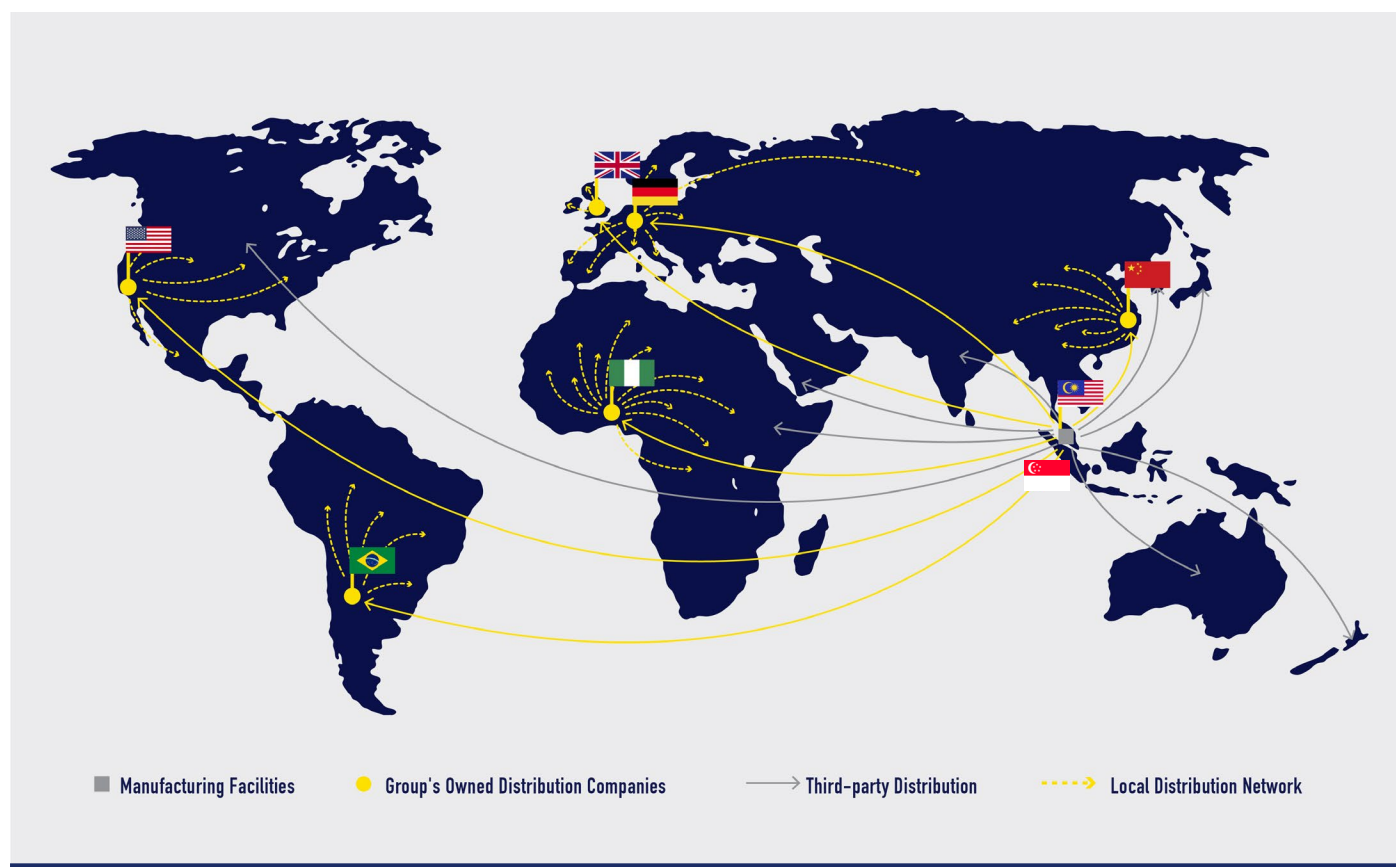
While expanding production capacity progressively, the Group is also upgrading our existing production lines and streamlining our broad product range concurrently, to improve operational efficiencies and technical enhancements to enable better utilisation of capacity and resources.

With the additional production lines in place, the Group is focused on raising production efficiency for our wide range of proprietary "Unigloves" brand of disposable gloves to cater to the demand and support the sales of our downstream distribution network.

### DISTRIBUTION NETWORK

The Group owns and operates an extensive downstream distribution companies with a local presence in Europe, USA, China, Africa, and South America, where we market and sell our own proprietary "Unigloves" brand of disposable gloves to more than 50 countries globally. The Group also distributes ancillary products including surgical gloves, vinyl, and cleanroom disposable gloves, face masks and other medical disposables.

During FY2019, the Group expanded our distribution infrastructure with the acquisition of land and warehouse building in Brazil, where we are experiencing rapid growth, and established a distribution company in Chengdu, China to expand our market reach.





## BUSINESS SEGMENTS

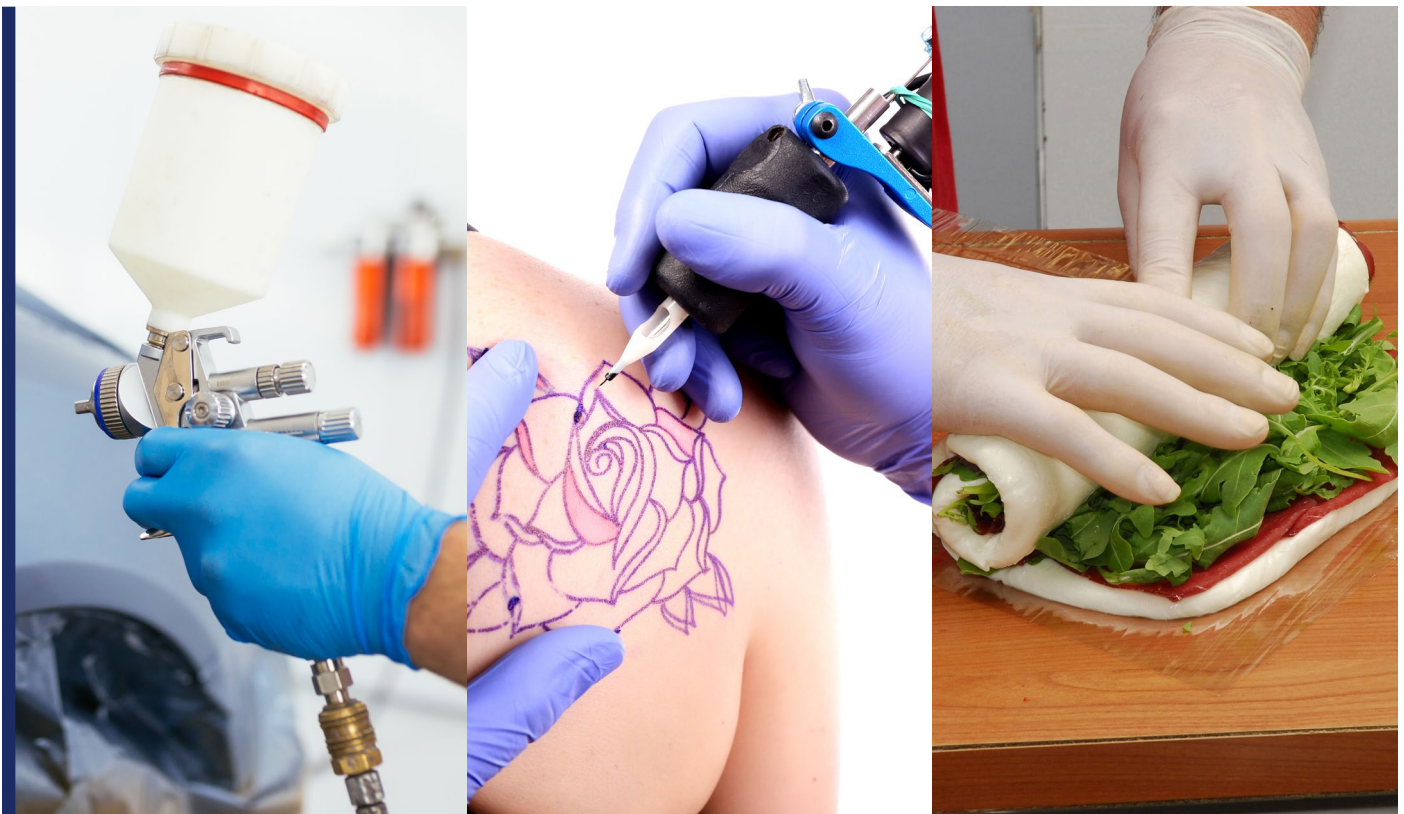
THROUGH OUR OWN DISTRIBUTION COMPANIES' MARKETING AND SALES TEAMS, WE ARE ABLE TO BETTER UNDERSTAND THE APPLICATIONS OF OUR DISPOSABLE GLOVES FOR OUR END USERS. THESE RESPONSES FROM END USERS CONSTANTLY MOTIVATE US TO IMPROVE ON OUR PROCESSES AND FORMULAE, TO CUSTOMISE QUALITY GLOVES FOR THEIR DAILY APPLICATIONS. **PROVIDING QUALITY PRODUCTS FOR OUR END USERS ARE OUR UTMOST PRIORITY.**

We constantly keep abreast of developments in technology and process improvements as well as developments in latex compounding formulations to attain certain desired properties and characteristics for the customisation of our products (own "Unigloves" brand and OEM brands).

### OWN BRAND OF PRODUCTS

Our "Unigloves" brand of disposable gloves offers an extensive product range that includes both specialised products, amongst others, 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, cater to different applications and preferences.

**Unigloves**  
Safety through quality



## BUSINESS SEGMENTS

### BUSINESS STRATEGY

The Group's strategy has always been to cultivate demand for our proprietary "Unigloves" range of disposable gloves through our downstream distribution companies. These strategically established distribution companies in both developed and developing countries have their local sales and marketing teams and distribution infrastructures (including local warehouses and logistics) as well as direct customer base. The market demand for our "Unigloves" range of products, in turn, drives the production volume in our upstream manufacturing facilities in Malaysia. This approach allows the Group to manage the value chain seamlessly and efficiently.

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



#### UPSTREAM MANUFACTURING



Produces disposable gloves in own brands including "Unigloves" and sell through Group's own established distribution companies on various countries

increase efficiency and capacity

#### DOWNSTREAM DISTRIBUTION



Respective local distribution companies with own warehousing & logistics infrastructure and marketing teams that market and sell gloves and ancillary products through own distribution channels to customers

#### CUSTOMER BASE

Uses and applications of disposable gloves in various industries:

##### HEALTHCARE

- hospitals
- clinic (dental)
- nursing homes and hospices

##### MANUFACTURING

- automotive
- electronics

##### LIFE SCIENCES

- laboratories
- manufacturers

##### FOOD & BEVERAGE

- food processing companies

##### BEAUTY

- hair salons
- tattoo studios

market intelligence /  
responses from end users



## BOARD STATEMENT

The Board of Directors (the “**Board**”) of UG Healthcare Corporation Limited (“**UG Healthcare**” or the “**Company**”, and together with its subsidiaries (the “**Group**”), oversees the management and monitoring of the economic, environmental, social, and governance (“**EESG**”) factors and takes them into consideration in the determination of the Group’s strategic direction, policies and practices.

We are committed to our stakeholders, particularly, our employees, our business partners, and our customers who are the users of our disposable gloves and ancillary products. The Group’s strategy to manage and operate an integrated supply chain that comprises both upstream manufacturing and downstream distribution through building our proprietary brand of products, enables us to establish quality control process standards for the products produced and sold by us.

Our upstream manufacturing is certified to internationally recognised standards of ISO 9001 and ISO 13485, and we are also certified by the Malaysian Rubber Board to produce Standard Malaysian Glove for export. Our proprietary brands of products continue to conform to various international standards and requirements, including the ASTM International (formerly known as American Society for Testing and Materials), European standard for medical gloves (“**EN455**”) and Acceptance Quality Level requirements under the Food and Drug Administration (“**USFDA**”).

The Group has always kept in mind our motivation for starting with both upstream manufacturing and downstream distribution businesses concurrently, while building our proprietary brands of products. We will continue to introduce our quality products with customised industry applications, to both developed and developing countries as the protective gear for hygiene and protection.

This sustainability report is prepared with reference to the guidelines of the Global Reporting Initiative (“**GRI**”) Standards and in compliance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”). The report also makes references to the guidance set out in SGX-ST’s Sustainability Reporting Guide under Practice Note 7F of the Catalyst Rules. We have chosen the GRI framework as it is a globally-recognised sustainability reporting standard.

This sustainability report is focused on our sustainability approach, initiatives, and performance with regards to the Group’s upstream manufacturing operations in Seremban, Malaysia throughout the 12-month period, from 1 July 2018 to 30 June 2019 (“**FY2019**”). The Group adopts the precautionary principle to minimise negative effects of conducting its business whenever feasible. Taking into consideration the expansion of production capacity by 500 million gloves per annum in the year under review, the Group will require time to collect data to better reflect and set meaningful targets for the identified material factors under normal operational circumstances.

The Group intends to expand the scope of our sustainability report in the future to also include sustainability practices with respect to our downstream distribution operations in the countries where the Group has a presense.

No external assurance was sought for this report.

We welcome stakeholders to provide us with feedback and suggestions on this report. You may contact us through our investor relations email at [ir@ughcc.com](mailto:ir@ughcc.com).

# SUSTAINABILITY APPROACH

The Group takes a strategic and comprehensive approach towards sustainability as we acknowledge the importance of effective EESG strategy and management across the business operations. Any key issues relating to the sustainability framework will be raised by the Sustainability Committee during board meetings, where the Board will review and deliberate on the sustainability issues. The Sustainability Committee is led by key management executives and supported by representatives from various departments in the Group.

The Board approves the Group's general policies and strategies including those relating to sustainability. The Sustainability Committee reports to the Board and is responsible for reviewing the Group's sustainability performance, material topics, stakeholder concerns, the setting of targets for material topics, and establishing systems to collect, verify, and monitor information required for the sustainability reports.



We are focused on generating stable and sustainable value for our stakeholders by managing the impact of EESG factors, as well as the risks and opportunities present in our businesses.

# STAKEHOLDERS AND ENGAGEMENT PLATFORMS

The Group's sustainable growth and stable long-term return will require our constant engagement with our stakeholders. As the Group continues to grow and pursue growth opportunities, we will also carry on with our sustainability journey by focusing on improving our disclosures on EESG practices as well as progressively including the targets that are material to our business.

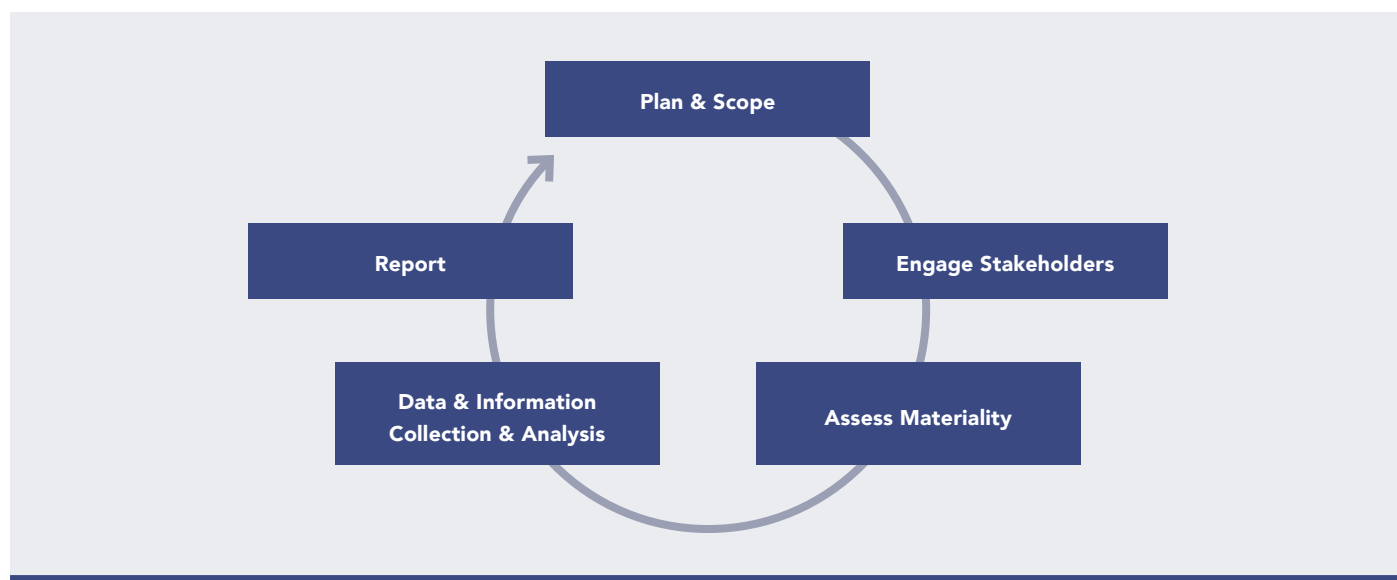
Our engagements with our key stakeholders are summarised below:

Our Stakeholders	Stakeholders' Expectations	Mode of Engagement	Our Initiatives
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality control</li> <li>• On-time delivery and services</li> <li>• Technical support</li> <li>• Reasonable payment terms</li> <li>• Competitive pricing</li> </ul>	<ul style="list-style-type: none"> <li>– Regular customer feedback management (survey, face-to-face meetings)</li> <li>– Regular follow-up (calls, face-to-face meetings)</li> <li>– Electronic communications</li> </ul>	<ul style="list-style-type: none"> <li>• ISO 9001 and ISO 13485 certification to assure a consistent level of quality in products and services</li> <li>• Active follow-up on customers' needs and product applications</li> <li>• Regular internal meetings to review customers' fulfilment and new requirements</li> <li>• Update customers on new products</li> <li>• Provide timely feedback to customers</li> <li>• Ensure all relevant requirements and standards are met for all products manufactured and sold</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Career growth</li> <li>• Training opportunities</li> <li>• Competitive salaries and incentives</li> <li>• A pleasant and safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>– Regular internal communications</li> <li>– Regular review of working environment and welfare</li> <li>– Training &amp; development programmes</li> <li>– Employee feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure effective implementation of internal systems and policies</li> <li>• Regular internal meetings to review health and safety issues</li> <li>• Sponsor employees to attend courses and conferences</li> <li>• Annual review on performance</li> </ul>
<b>Shareholders &amp; Investors</b>	<ul style="list-style-type: none"> <li>• Higher financial returns</li> <li>• Industry conditions and prospects</li> <li>• Market presence</li> <li>• Profitability</li> <li>• Transparency &amp; corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>– Announcements on SGXNET</li> <li>– Annual General Meeting</li> <li>– Investor roadshows and meetings</li> <li>– Electronic communications through investor relations</li> <li>– Annual reports</li> <li>– Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure all public disclosures on corporate results and developments are disclosed accurately and timely via announcements as and when required</li> <li>• Half-yearly meetings with analysts and investment community to update on corporate developments</li> <li>• Ensure sustainable business growth</li> </ul>
<b>Government &amp; Regulators</b>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Occupational health &amp; safety</li> <li>• Environmental issues</li> <li>• Social issues</li> </ul>	<ul style="list-style-type: none"> <li>– Meetings</li> <li>– Electronic communications</li> <li>– Announcements on SGXNET</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure compliance with applicable laws</li> <li>• Meetings with relevant authorities as and when necessary</li> <li>• Consistent update on relevant law and regulations through seminars and training</li> </ul>



# MATERIALITY ASSESSMENT

The Board and the management conducted an evaluation of the Group's risk and investment strategies in accordance with the Materiality Determination Process Tools as listed in the Sustainability Reporting Guide, Practice Note 7F of the Catalyst Rules. The assessment was to identify the economic, environmental, social and governance risks and opportunities that could have a positive and/or negative impact on the Group's businesses.



The material topics below show the most relevant concerns for the Group that were identified in the internal materiality analysis. As the Group stabilises the additional production capacity in our upstream manufacturing, which flows through our integrated supply chain, we will look into sharing more information on performance and targets in our subsequent reports.

Focus Area	Material Topics
 Compliance	<ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Socioeconomic Compliance</li> <li>• Data Privacy</li> </ul>
 Economic Performance	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Anti-corruption</li> </ul>
 Building Customer Success	<ul style="list-style-type: none"> <li>• Customer Management</li> </ul>
 Care for Employees	<ul style="list-style-type: none"> <li>• Employee Welfare</li> <li>• Diversity and Equal Opportunity</li> <li>• Occupational Health and Safety</li> </ul>

# KEY MATERIAL TOPICS

## COMPLIANCE

### Corporate Governance

The Group recognises the importance of observing a high standard of corporate governance and transparency in ensuring the sustainability of our businesses and safeguarding our stakeholders' interests and value for the long term.

We are committed to upholding best practices in corporate transparency and disclosures, and we have in place a set of procedures and policies governing our compliance with applicable legislation and adherence to our risk management guidelines.

We complied with the principles and guidelines set out in the Code of Corporate Governance 2012, where appropriate. Our corporate governance report can be found on pages 23-47 of the annual report.

### Socioeconomic Compliance

The Group operates our businesses in compliance with the relevant social and economic laws and regulations through regular internal checks and balances. Compliance with legislative requirements is a minimum standard that should be achieved whilst also striving to perform beyond these requirements where possible. Our global footprint in countries outside Malaysia has heightened our proactivity in identifying and addressing a broader range of social issues, risks and impact.

We are committed to conducting our business with integrity and safeguarding the interest of all stakeholders.

### Data Privacy

We are committed to complying with the Personal Data Protection Act and all relevant legislation. We have systems and procedures in place to protect information related to our employees and customers.

We will continue to stay vigilant and observe compliance with all applicable laws and regulations to maintain our record of nil incidents of non-compliance.

## ECONOMIC PERFORMANCE

### Economic Performance

The Group seeks to achieve sustainable growth through strengthening our two core business segments: (i) upstream manufacturing, and (ii) downstream distribution, while we continue to raise market awareness for our broad range of disposable glove products under distinguished proprietary brand names, particularly with the commercialisation of the additional production capacity of 500 million gloves per annum.

As the Group took priority in raising production efficiency and strengthening our downstream distribution, particularly in Brazil, China, Europe, and Africa, in the second half of FY2019, we also saw revenue continue to increase. The additional production capacity, together with the expanded distribution network drove the Group's revenue up by 17.5%, from S\$78.1 million for the financial year ended 30 June 2018 ("FY2018") to S\$91.7 million for the financial year ended 30 June 2019 ("FY2019"). The improvement in overall production efficiency and economies of scale, lifted gross profit by 46.6% from S\$12.8 million in FY2018 to S\$18.7 million in FY2019, and gross profit margin increased from 16.4% in FY2018 to 20.4% in FY2019. Due to the expansion efforts, the Group had also recorded higher operating expenses in the year under review, this led to a decrease of 42.2% in net profit attributable to owners of the Company from S\$4.3 million in FY2018 to S\$2.5 million in FY2019.

For our Group's detailed financial performance, please refer to the Performance Review, Financial Statements, and Notes to Financial Statements found on pages 11-13 and 57-121 of the annual report.

## KEY MATERIAL TOPICS

We are well-placed to improve our revenue, especially in the developing countries such as South America, Africa, and China as improving healthcare regulations and increasing awareness will continue to drive demand for our quality disposable glove products with diverse industry applications.

We believe that we are on track to achieve better margins and improved earnings in the coming quarters as we continue to raise production efficiency and volume, market and sell our proprietary brands of gloves throughout our own distribution network in key markets.

### Anti-corruption

At UG Healthcare, we conduct our business with integrity and transparency with no compromise on corruption. The Group has zero-tolerance for fraudulent and corrupt practices that may disrupt business operations and impede the growth of the business.

The Group adopts several policies such as the Conduct and Discipline Policy, the Conflict of Interest Policy, and the Whistle-Blowing Policy, to prevent, govern and facilitate the reporting of any illegal and/or unethical practices in the organisation.

No whistle-blowing reports were received for FY2019 in respect of its upstream manufacturing operations.

## BUILDING CUSTOMER SUCCESS

### Customer Management

The Group believes the success of our businesses is inherently intertwined with the success of our customers. At UG Healthcare, we are committed to empathise with glove users on their requirements and applications for single-use gloves in their respective industries. We aim to create better comfort and achieve better protection for our glove users, who need to wear disposable gloves to perform duties and responsibilities in their respective professions.

Through market intelligence and feedback from the Group's downstream distribution companies, who have direct interaction with glove users, the Group is constantly researching and innovating glove products to cater to the evolving requirements of glove users.

## CARE FOR OUR EMPLOYEES

### Employee Welfare

The Group views our employees as the lifeline of our organisation. We believe Human Capital Management is essential to increase the values of our employees who contribute to the success of our businesses. As the organisation grows, particularly with the increase in production capacity, we have to complement the growth by increasing our personnel across all departments to support the expansion.

The Group has in place our staff handbook and human resources manual that adhere to the legislation and guidelines in the country of operations. Discretionary incentives are granted to eligible employees based on their performance and contributions to the Group. Remuneration policies and packages are reviewed regularly to ensure that compensation and benefits are in line with the industry. This helps the Group in our recruitment and retention of talent.

### Diversity and Equal Opportunity

At UG Healthcare, we do not discriminate our employees or potential recruits according to their race, age, gender, religion, ethnicity, facial attractiveness, physical impairments, sexual preference, political viewpoints or nationality. As of 30 June 2019, we have more than 900 employees in our upstream manufacturing operations and corporate office.

### Occupational Health and Safety

The Group is committed to providing a healthy and safe working environment for our people. Our approach to safety focuses on creating a culture which requires all members of our workforce to be leaders in creating a safe work environment. We seek to identify and manage occupational exposure risks, minimise occurrences of occupational illness and promote healthy lifestyles.





# **BOLSTERING OUR POTENTIAL**

## Sustainability Report 2019

**UG HEALTHCARE CORPORATION LIMITED**  
(Unique Entity No. : 201424579Z)

**[WWW.UGHEALTHCARECORPORATION.COM](http://WWW.UGHEALTHCARECORPORATION.COM)**