UG Healthcare Corporation Limited
(Incorporated in Singapore with Unique Entity No.: 201424579Z)
SGX Stock Code: 8K7
website: www.ughealthcarecorporation.com

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING TO BE HELD ON 29 OCTOBER 2021

The board of Directors (the "**Board**") of UG Healthcare Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to refer to:

(i) the annual report of the Company for the financial year ended 30 June 2021 (the "**Annual Report**");

(ii) the notice of annual general meeting ("**AGM**") issued on 14 October 2021 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Friday, 29 October 2021 at 10.00 a.m.; and

(iii) the accompanying announcement issued by the Company on 14 October 2020 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Company would like to thank shareholders for submitting their questions in advance of the AGM. Please refer to the annex of this announcement on the questions received from shareholders, and Company's responses to the questions.

By Order of the Board
UG Healthcare Corporation Limited

Lee Keck Keong
Executive Director and CEO

27 October 2021

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*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 Charmian Lim (Telephone no.: (65) 6232 3210) at 1, Robinson Road, #21-00 AIA Tower, Singapore 048542.

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ANNEX: Responses to Shareholders' Questions

The Company has organised the questions and responses in two broad categories as follows:

Operations

1. What is the impact of lockdown of the manufacturing facilities based in Malaysia on the Group's revenue?

   Company's response:

   With reference to page 3 of the annual report, the Group's manufacturing operations based in Seremban, Negeri Sembilan, Malaysia, were temporarily halted with the detection of Covid-19 cases on the premises and in compliance with the enhanced movement control order by the Malaysian government from 9 to 22 July 2021. The temporary closure is likely to affect the financial performance of the first two months of the financial year ending 30 June 2022 ("**FY2022**").

   The Company will update shareholders on the announcement date of its voluntary business update for its first financial quarter ended 30 September 2021 ("**1Q FY2022**") in due course.

2. To date, what is the factory utilisation rate?

   Company's response:

   With nearly all its employees fully vaccinated with two doses of vaccines at end August 2021, the Group's upstream manufacturing operations will be able to resume with 100% workforce in attendance under the latest government guidelines.

   In view of the Covid-19 situation in Malaysia, however, the Group is ramping up its productivity progressively towards achieving optimal efficiency. It remains vigilant in its compliance with stringent prevention and control measures as the Group places the health, safety and well-being of its employees at utmost priority.

3. What is total production capacity today?

   Company's response:

   Currently, the Group has a total installed production capacity of 3.4 billion pieces of gloves per annum. The intended expansion of 1.2 billion pieces of gloves per annum to bring total installed production capacity to 4.6 billion gloves per annum, was halted temporarily due to the earlier lockdowns. Construction has since resumed and the Group expects the expanded production capacity to commence by the third financial quarter ending 31 March 2022 ("**3Q FY2022**").

Outlook & Growth Strategy

4. What is the future trend of the Group's glove products going forward? What are the Group's competitive advantages in the gloves making industry? Are there any features that differentiates "Unigloves" products from that of its peers?

   Company's response:

   The heightened awareness in hygiene and protection has led to the structural change of increased usage of gloves across all industries – both medical/healthcare and non-healthcare, motivating strong demand for examination gloves globally.

   The Malaysian Rubber Council ("**MRC**") in its statement announced on 11 August 2021, estimated the global demand for rubber gloves in volume terms to maintain a double-digit growth of between 12% and 15% in 2021. It is expecting Malaysia's rubber glove industry to maintain its positive momentum and exports are expected to reach a new high for the full year of 2021. The global per capita consumption of rubber gloves is expected to increase to 25 pairs in 2021 driven by higher usage of gloves in Malaysia's major export markets such as US and Europe as well as large emerging markets particularly in the Asian region.
   (Source: https://www.theedgemarkets.com/article/rubber-exports-expected-rebound-2021-doubledigit-growth-global-demand-continues)

   The Group will continue to focus on understanding the requirements of its end users across diverse industries and develop suitable gloves for their hand protection applications in their professions, keeping them safe as they perform their duties.

   While the Group's upstream manufacturing division produces both nitrile and latex examination disposable gloves, its integrated own-brand manufacturing ("**OBM**") business model enables it to collaborate with chosen reusable gloves manufacturers to produce innovative reusable gloves for industrial applications under its proprietary brand (refer to announcement dated 21 October 2021 – Launch of New Reusable Gloves). Both disposable and reusable gloves, which are essential hand protection solutions to users in their professions, are marketed and sold through its entrenched downstream distribution network.

   The Group's strategy has always been to cultivate demand for proprietary 'Unigloves' range of disposable and reusable gloves through its downstream distribution companies located in both developed and emerging countries, where they have direct customer base. The market demand for 'Unigloves' range of products, in turn, drives the production volume in upstream manufacturing. This strategy allows the Group to expand product portfolio and develop its downstream distribution capabilities to their full potential.

   Concurrently, the Group drives marketing campaigns to further entrench its proprietary 'Unigloves' brand and market positioning in its key markets. These campaigns focus on driving the marketing and sales of its established distribution companies in its key markets of Europe, the US, China, Nigeria, and Brazil, and will be supported by these distribution companies which operate their warehousing and logistics infrastructure.

The Group believes in building sustainable growth together with its stakeholders over the long term, and it is committed to making a positive difference to its stakeholders with consistent efforts in managing and keeping abreast with the evolving business environment.

5. Can management elaborate further on its growth plans? Are there plans to further increase the Group's production capacity after the third manufacturing site?

Company's response:

With reference to the response to question 4 above, production capacity, downstream distribution capabilities, and proprietary brand are tightly interwoven in the Group's integrated OBM business model.

The Group will plan further expansion through:

i) expanding production capacity beyond 4.6 billion pieces of gloves per annum,

ii) growing market share with continuous distribution network expansion, and further entrenching proprietary 'Unigloves' brand market positioning, and

iii) seizing potential non-glove opportunities to broaden product portfolio.

6. A few questions related to the impact of declining average selling prices ("**ASP**") of gloves and risk of potential global oversupply in gloves have been received. However, as these are commercially sensitive, the Board has provided a broad overview on the topic.

Company's response:

The Group believes that every industry player has its own competitive advantage and niche to help it overcome competition in the business environment.

The disposable gloves industry has typically been enjoying an average annual growth of approximately 8%.[1] The Covid-19 pandemic led to a surge in demand and resulted in the abrupt disequilibrium in supply and demand. The global lockdown also resulted in shortage of raw materials, which in turn, increased the cost of disposable gloves. These factors led to ASP hikes of disposable gloves in the past year.

(Source: [1] https://www.businesstoday.com.my/2020/09/19/margma-urges-putrajaya-to-allow-reasonable-number-of-foreign-workers-to-work-in-factories/)

Nevertheless, with countries reopening borders and the addition of new production capacities, the ASP is expected to decline as life returns to new normalcy.

The Group's production capacity will be increased to 4.6 billion pieces of gloves per annum by March 2022. This increase in production volume will improve economies of scale for its disposable gloves as a natural buffer to mitigate the lower ASP of gloves. The Group has also been working on expansion of its product portfolio in a bid to develop its downstream distribution capabilities to their full potential.

The heightened awareness in hygiene and protection amid the global pandemic, has led to the structural change of increased usage of gloves across all industries in both developed and emerging countries. It is expected that global glove consumption per capita between developed and emerging countries is set to narrow. The expected increase in usage of gloves as hand protection applications will motivate the demand amidst increasing production capacities.

It is also noteworthy that the new production capacities are also a form of replacement for the existing and overstrained production lines that may be less efficient.

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