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 AND EXTRAORDINARY GENERAL MEETINGS TO BE HELD ON 30 OCTOBER 2020

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 2020 (the "**Annual Report**");

(ii) the circular of the Company in relation to the Proposed Adoption of the New Constitution (the "**Circular**");

(iii) the notice of annual general meeting ("**AGM**") issued on 8 October 2020 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Friday, 30 October 2020 at 10.00 a.m.;

(iv) the notice of extraordinary general meeting ("**EGM**") issued on 8 October 2020 informing shareholders that the Company's EGM will be convened and held by way of electronic means on Friday, 30 October 2020 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the AGM of the Company); and

(v) the accompanying announcement issued by the Company on 8 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 and EGM. 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

28 October 2020

*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.

ANNEX: Company's Response to Shareholders' Questions

1. What are the percentage of OBM and OEM gloves proportionately? And what will it be moving forward?

Company's Response:

Based on the Group's production capacity of 2.9 billion pieces of gloves per annum as at end June 2020, it is producing 85% for original brand manufacturing ("**OBM**") and 15% for original equipment manufacturing ("**OEM**").

The capacity expansion to 4.6 billion pieces of gloves per annum by end June 2021, will be focused on its proprietary "Unigloves" brand, and hence the OBM proportion will increase in tandem. The Group, however, will continue to produce for its existing long-term OEM customers.

2. Can the board update on the progress of increasing the production capacity in view of the strong demand for glove?

Company's Response:

The Group is on track to achieve its production capacity expansion plans to cope with the higher demand. The plans include:

i) raising its earlier planned additional production capacity of 300 million pieces of gloves per annum by end June 2021 to 500 million pieces of gloves per annum by end March 2021, and;

ii) constructing a new production facility on the newly acquired land in close proximity to the Group's existing manufacturing facilities for an installed production capacity of 1.2 billion pieces of gloves per annum by end June 2021.

3. What is the lead time for sales order at current point of time for nitrile & latex gloves?

Company's Response:

The Group manufactures both nitrile and latex gloves primarily for the marketing and sales through its own downstream distribution companies in both developed and developing countries. The Group's downstream distribution companies used to hold about three months of inventory in its key markets. Currently, the distribution companies manage the inventory on a very tight schedule based on just-in-time delivery.

4. Questions related to the average selling prices ("**ASP**").

Company's Response:

The Group operates an integrated value chain, comprising the upstream manufacturing and downstream distribution, and sold its disposable examination gloves (both nitrile and natural latex) under its proprietary "Unigloves" brand.

Due to the increase in demand and tight supply of disposable examination gloves, the ASP has been increasing month-on-month since March this year. Nevertheless, the Group continues to focus on strengthening its relationship with long term customers by prioritising its production capacity to ensure these customers have the required inventory to meet their needs.

5. What is the vision and mid long-term goals of UG Healthcare? How has this changed with the COVID-19 pandemic?

Company's Response:

It is always the Group's ambition to build, manage and operate an integrated supply chain for its proprietary branded healthcare products, in particular disposable examination gloves. The Group believes its strategy to manage both upstream manufacturing and downstream distribution through its proprietary branded products, will enable it to have a sustainable business that is capable of generating higher value for the Group in the long run.

The COVID-19 pandemic tested the readiness of the Group's operations, both upstream manufacturing and downstream distribution. The earlier investments and efforts to strengthen distribution network in key strategic markets have shown positive results, and this has, in turn, driven the Group to quicken its pace in production capacity expansion and move towards another level of growth.

6. When compared to the big boys in our industry, our scale is considerably smaller. How big is this disadvantage? And what is our strategy to counter this disadvantage?

Company's Response:

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

It has always been the Group's strategy to cultivate demand for its proprietary "Unigloves" range of disposable examination gloves through its 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 its "Unigloves" range of products, in turn, drives the production volume in its upstream manufacturing facilities in Malaysia. This approach allows the Group to manage the value chain seamlessly and efficiently.

7. Understand that currently there are shortages of nitrile rubber and which has resulted in a switch in demand to latex gloves. Kindly share with us the (potential) implications to the industry and UG healthcare, in terms of existing production plan, future expansion plan, raw material cost, gross margin and profitability.

Company's Response:

The Group believes the sudden surge in demand across the supply chain has inevitably led to

increase in prices. The increase in raw material costs is rising in tandem with the increasing demand for raw materials, which is similar to the increase in ASP with the rising demand for examination gloves.

UG Healthcare has been producing and selling both nitrile and natural latex examination gloves. There is relatively no implication on the Group in terms of its existing production and capacity expansion plans.

##